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AMERICA'S NEW FOREIGN POLICY

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EDITED BY
JOHN A. KROUT

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PREFACE

THIS issue of the PROCEEDINGS, containing the record of the Annual Meeting of the Academy of Political Science held on November 12 in New York City, bears the stamp of a special timeliness. On the eve of the session of Congress, summoned to consider means of translating the Marshall Plan into a long-range program for European recovery, the Academy chose to direct attention to "America's New Foreign Policy". Discussion was not limited to the "Western European Rimland"; instead it brought into proper focus the Far East and the Middle East, Southeastern Europe and the islands of the Pacific. Throughout the various conferences a persistent question was heard: How new is America's "new foreign policy"? Complete agreement on the answer may not appear in these pages, but there was general approval for the idea, so wisely presented by one of the speakers, that what has been taking place during recent years is "the adaptation of certain basic principles of our foreign policy to changing conditions in the world." And such adaptation has little chance of being effective unless it receives popular support.

Every reader of the PROCEEDINGS will be grateful to the speakers for the manner in which each brought his particular competence to bear on the general topic. To them and to others who participated in the less formal discussion, the Academy extends its thanks. The program arrangements were under the supervision of a special committee, chosen from the members of the Academy: Grayson L. Kirk (Chairman), Miss Ethel Warner (Director), W. Randolph Burgess, John W. Davis, Lewis W. Douglas, Frank D. Fackenthal, Pierre Jay, Nicholas Kelley, Thomas W. Lamont, Russell C. Leffingwell, Sam A. Lewisohn, Henry R. Luce, Charles Merz, Shepard Morgan, William L. Ransom, Philip D. Reed, George Roberts, Arthur Hays Sulzberger, Juan Trippe, Eliot Wadsworth, Leo Wolman.

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PART I

THE FAR EAST AND THE PACIFIC

INTRODUCTION *

HUNTINGTON GILCHRIST, *Presiding*

American Cyanamid Company; Chairman of the Pacific Council
Institute of Pacific Relations

IT seems peculiarly appropriate to open the discussions this morning at this first session of the Annual Meeting of the Academy of Political Science, on the subject of America's New Foreign Policy in the Far East and the Pacific Ocean Area, in the light of Secretary of State Marshall's announced program yesterday in regard to continued and large-scale relief for China. American policy seems to be developing less clearly, more slowly, and with less unanimity in the Far East than in Europe, and yet with increasing self-government in the Far East, more rapid changes, socially, economically and politically, are taking place and are likely to take place in that part of the world than in any other region during the foreseeable future.

Not only is United States policy involved in that part of the world, but, as was brought out at the International Conference of the Institute of Pacific Relations which I had the privilege of attending in Stratford-on-Avon two months ago, the changing policies of the European colonial Powers which have been

* Opening remarks at the First Session of the Annual Meeting.

so dominant in that part of the world in the past, the unknown policy, if that term may be used, of the Soviet Union in the Far East, and new policies as yet unclear of Asiatic groups which are coming to power, particularly in Indo-China and Indonesia, will have profound effect on future developments in that part of the world.

This is indeed a stimulating topic for the Academy, and it is quite appropriate that special attention should be paid to China where one finds the largest population in the Far East, and perhaps the greatest potentials for the future.

Our first speaker was a student at the University of California and in Montana. He has a wide background from which to discuss his subject this morning. After an experience of some ten years as a mining engineer, he went into the academic field as Professor of History and Political Science at Montana State University, and since 1943 he has been a representative from Montana in Congress. For two months at the end of 1944, he obtained personal impressions and observation of conditions in the Far East as presidential representative in China. It is my great pleasure to introduce to you Mr. Michael J. Mansfield.

THE CHINESE POLICY OF THE UNITED STATES

MICHAEL J. MANSFIELD

Representative from Montana

MISUNDERSTANDING of our policy in China arises largely from a failure to understand the nature of American foreign policy itself. Therefore, I think it essential, at the outset, to consider briefly the substance of that policy in terms of three components: objective, pattern and technique. Without a clear comprehension of these distinctions and their respective characteristics, it is difficult to grasp the implications of our China policy or to relate that policy to our activity in other parts of the world.

Let us bear in mind that the objective of American foreign policy is indivisible and constant. Our government seeks the same ultimate ends whether its policy is operating in Europe, in South America, in Asia, or in the United Nations. Furthermore, the objective has remained unchanged since the dawn of the Republic. It is, in the words of the late President Franklin D. Roosevelt, "to defend the honor, the freedom, the rights, the interests and the well-being of the American people." An essential corollary to our objective, however, is that—again in the words of Mr. Roosevelt—"We seek no gain at the expense of others. We threaten no one, nor do we tolerate threats from others."

In contrast with the fixity and the universality of the objective, the pattern of American policy, which finds its most vivid expression in our great state papers, is gradually evolving. It is the broad blueprint for action which represents the accumulated wisdom of countless American minds. It is the product of the interests, the hopes, and even the fears, of our whole people.

The slow evolution of the pattern of policy is everywhere in evidence. In Latin America a hemispheric solidarity emerges from the earlier foundations of the Monroe Doctrine. In

Europe we move from a concept of isolation to a deep concern in the political and economic fortunes of that continent. In Asia, too, there is the same gradual flux of the pattern in the interest of the objective.

The third component of policy—technique—concerns the instruments we use within the pattern to achieve the objective. It consists of all the measures—diplomatic, political, cultural and economic—that are employed in meeting the exigencies of international relations. In the last analysis, it includes, too, military measures—whether force, threat of force, or the acquisition of strategic bases. In contrast to the fixed objective and the evolving pattern, the technique of foreign policy must remain flexible, and responsive to changing conditions. Any other course, in a complex and unstable world, would be an invitation to disaster.

With these three distinctions—objective, pattern and technique—in mind let us examine the historical development of the Chinese policy of the United States. The objective of our policy in China does not differ from the over-all objective of American policy. We are concerned as much with “the honor, the freedom, the rights and interests and the well-being of the American people” in our relations with China as we are in our relations with Britain, with France, or with Russia.

As our interests have broadened, however, and our world responsibilities have increased, the pattern of Chinese policy has undergone a slow evolution. During the early period of our relationships with the Manchu Empire, China was still too remote, too unknown a factor, to loom largely in the thinking of the American people. The initial pattern of government policy chiefly reflects concern for our shipping interests and the safety of our missionaries. We wanted “equal commercial opportunity” with European merchants for our traders. When the British opened Chinese ports to their citizens, ours also gained entrance. And when they established extraterritoriality, we did the same. In this early period we avoided annexation of alien territory, resorting primarily to a technique of diplomacy to secure our objective.

By the turn of the century, however, there were indications that “equal commercial opportunity” was inadequate in the face of mounting imperialistic pressures on China. It was at

this point that John Hay circulated his now famous "Open Door" notes among the great Powers. And when it became evident that even this step was unlikely to stem the predatory tendencies of other Powers, especially Japan and Russia, we expanded the "Open Door" to embrace the principle of maintaining the "independence and integrity of China". But we soon discovered that diplomacy could operate as a technique for fulfilling this pattern only if there existed a balance of power in the Far East. This balance was upset by the First World War. From that conflict, Japan emerged as the dominant force in eastern Asia.

Nevertheless, at the Washington Conferences of 1922, an attempt was made to maintain the "Open Door" and China's "independence and territorial integrity" through normal diplomatic methods. We sacrificed a part of our military potential in the Pacific, in return for Japan's pledges to forego further expansion. Under the pressure of its military leaders, Japan in 1931 turned from the ways of peace.

For fully another decade, however, we sought to preserve the pattern of the "Open Door" and of China's "territorial integrity" without resort to military techniques. We wrote notes. We engaged in conversations. We spoke angrily. We spoke softly. But the Japanese military machine rolled onward into Mongolia, north China, the Yangtze valley and south China.

By 1940, with Japanese armies straddling the coast line of East Asia from Korea and Manchuria to Indo-China—and spearheaded deeply into the body of the continent—and with Europe set aflame by Germany, it had ceased to be a question of maintaining the pattern of our policy. The American people were faced with the inexorable reality of a free America possibly standing alone in a hostile, totalitarian world.

American public opinion began to shift rapidly. So, too, did our technique of policy. To the exhausted diplomatic measures we had taken against Japan, we added economic measures in the form of aid to China and restrictions on trade with Japan. We extended Lend-Lease to the hard-pressed Chinese and, with the "Flying Tigers", spread an aircover over their defenseless cities. Finally we reached that point in the tide of history when a reassertion of the pattern of our pol-

icy in China and the Far East, coupled with our activities elsewhere in the world, offered the last hope of defending beyond our shores "the honor, the freedom, the rights, the interests, and the well-being of the American people."

The complexities of the war involved the United States in the affairs of China to an unprecedented degree. Economic and military problems of the joint struggle against Japan forced our government to take an increasing concern in the internal problems of China—a course which we would normally have avoided. The United States dealt officially only with the National Government of Chiang Kai-shek to which, theoretically at any rate, the Chinese Communists adhered. Vital considerations connected with the war, however, made it essential for us to try to forestall a rupture in even the theoretical unity of Chinese resistance—a rupture which conceivably could have lengthened the war. There is nothing contestable in this approach. It was essentially the same technique that was employed in France, in Italy and in Poland. It was predicated on a recognition of the hard reality of the cost of the war in terms of American lives and resources.

While aiding China internally to maintain its unity and to remain in the field against Japan, we were seeking also to build up China's international position in order to prepare the Chinese for a possible expansion of their rôle in the post-war world. First of all, we recognized China as one of the Big Four of the war against the Axis. In 1943 we abandoned extraterritoriality and wiped out the stigma of Chinese exclusion. At the Cairo Conference, in December 1943, we endorsed the principle of the return of all Chinese territory seized by Japan. Still later we accepted China as one of the Five Great Powers in the United Nations. Throughout the war our assistance went exclusively to the central government and we interfered as little as circumstances would permit in internal Chinese affairs. In line with the traditional pattern of American policy, we desired an independent China at the end of hostilities, not an administrative and military appendage of the United States.

But peace found us, notwithstanding our desire to the contrary, deeply enmeshed in Chinese affairs. It was impossible to extricate ourselves immediately with the firing of the last shot. We faced a drastically altered situation in the Far East.

The shattering of the Japanese Empire had left a huge vacuum. Into it had rushed new power from Soviet Asia, through Manchuria to Dairen and Port Arthur, and over the border into Korea to the thirty-eighth parallel. On the other hand, American forces occupied Japan, the Ryukyus and southern Korea. Between these new frontiers of power lay the seething uncertainty of China—a China on the verge of economic collapse and already in the first throes of renewed civil war.

In this chaotic situation, the need for redefining the pattern of our Chinese policy became imperative. It was forthcoming in President Truman's policy statement of December 16, 1945. Linking the Chinese situation to our faith in the future of the United Nations, the President declared that "it is the firm belief of this Government that a strong, united and democratic China is of the utmost importance to the success of this United Nations Organization and for world peace." Let us consider, for a moment, the implications of this statement. Is it in accord with the fundamental objective of our foreign policy? It is. The defense of the well-being of the American people is inextricably bound up with the question of the maintenance of peace. Peace, in turn, will be influenced profoundly by the international position and the internal conditions of China. Is it a natural extension of the historical pattern of our policy in China? It is. We have come a long way from the "equal commercial opportunity" through the "Open Door" and the "maintenance of China's independence and territorial integrity", to the present "strong, united and democratic China". But this logical and inevitable evolution has developed through the interrelation of our expanded interests, our world position and our power and the great political changes the world has undergone.

The President's December 16 statement contains two factors that warrant careful examination. There is, first of all, the frank acknowledgment of our obligations to the National Government of China. And secondly there is the whole body of measures and methods with which we hope to realize the pattern of our present policy. It was absolutely essential to aid the central government in the transportation of its troops to disarm and to evacuate the Japanese, if for no other reason than that we had committed ourselves to do so. We extended

this help in spite of strong counterpressures at home and in the face of violent opposition from the Chinese Communists. We extended it even at the cost of American lives. We would have preferred to help an internally unified China. But in the absence of unity we aided the central government exclusively—the government we had dealt with throughout the war, the government we recognized as the legal authority of the Chinese nation.

Let us now consider the methods and measures through which we hope to see realized the pattern of "a strong, united and democratic China." I must stress that these measures and methods concern the *technique* of foreign policy and, consequently, there is no virtue *per se* in their consistency. Rather, within the limits of our moral and ethical concepts, these measures and methods must remain flexible and adaptable, to meet ever-changing problems. I emphasize this because those who delight in pointing out the inconsistencies of our foreign policy usually are thinking in terms of its technique.

Paramount among our methods in China are continued recognition of the National Government and coöperation, internationally, with that government. One need not have access to secret State Department documents to recognize that this procedure is still being followed. In the international field, our support of China's National Government has been imposingly steady. We have backed Nanking officially on the reparations issue in Manchuria, and we have sought by diplomatic pressure to assist in the restoration of Chinese administration to Dairen and Port Arthur. Still another evidence of our support for the National Government was given by Secretary Marshall at Moscow in the spring of 1947. He refused to permit the discussion of the China Question without the consent of the Chinese. The effectiveness of this measure was attested to by the approving demonstrations which greeted it in Nanking, Peiping and Shanghai.

Our technique with regard to the internal situation in China is also clearly indicated in President's Truman's statement of December 1945. He has placed primary responsibility for the establishment of peace and unity on the Chinese themselves, and asserted that we will not intervene to influence the course

of any civil strife. At the same time he has pointed out that our interest in the peace of the world gives us a concomitant interest in a peaceful China. Therefore, he suggested that the Chinese take certain steps to promote internal stability. Among these were the cessation of hostilities, the convening of a national political conference to solve the problem of internal unity through a modification of the one-party dictatorship, and finally the integrating of all Chinese armed forces into a national army. To help bring about these changes, the President dispatched General Marshall to China. Further, he held out to a unified China the offer of reasonable aid in economic rehabilitation and assistance in the reconstruction of its military organization.

How adequate was this technique? At first, it seemed on the verge of success. A delicate settlement covering all the major problems of unity was put together with infinite care. Bitternesses and hatreds and suspicions of twenty or more years' duration were reconciled at least temporarily. Success was never a certainty. That it had ever become a hope was a remarkable tribute to the pertinacity and wisdom of General Marshall. The shattering of that great hope, as you will remember, came in the spring of 1946—at the very moment of fruition. General Marshall had returned to America to report to President Truman. Within a week of his departure from China the Communists were accusing the Nationalists of failing to relinquish one-party control of the government. And the Nationalists were charging the Communists with attempting to set up a puppet régime in Manchuria.

Actually it matters little now who fired the first shot. General Marshall later blamed the extremists of both parties for the failure of mediation. What is significant is that the most determined efforts of one of our ablest officials had been insufficient to halt the renewal of strife. In effect, the breakdown of peace condemned the Chinese people to an indefinite continuation of the miseries of the previous eight years. The vision of peace, which had flared so brightly in the spring of 1946, dimmed steadily during the late summer and autumn. Occasional contacts of opposing forces gave way to skirmishes. Skirmishes grew into pitched battles. Chinese again killed

Chinese, and in ever-increasing numbers. We had little to show for our efforts except mounting hostility from large sections of the Chinese people. They vented the bitterness of their frustrated hopes on the peacemakers.

Almost a year to the day after his first pronouncement on China policy, President Truman acknowledged the failure of our efforts to quell the civil war. On December 18, 1946, he issued a second statement indicating that, while the basic pattern of our policy still remained, some of the instrumentalities with which we sought to operate would have to be held in abeyance. Since the return of General Marshall, and following the rapid withdrawal of American military forces during the early months of this year, there has been no significant change in our methods of dealing with the Chinese situation. We still actively support the sovereignty of China and the government of Chiang Kai-shek. A definite proposal of economic aid and assistance, amounting to \$300 million, is now under consideration. We must keep in mind, however, that China—in the words of Secretary Marshall—does not, “at the present time”, possess the basis for rehabilitation that western Europe does. Civil war now rages throughout north China and Manchuria. Other areas are in a state of incipient separatism. The Communists are resorting to their old extremist tactics of brutal terrorism.

That we regret this situation, that we sympathize with the Chinese people goes without saying. But it is equally true that there is little we can do, as our experience has shown, to alleviate their difficulties. Nevertheless, powerful and capable voices are heard in the United States urging us immediately to project ourselves into the middle of this problem of China. Let us, for a moment, consider the views of those who object to the abeyant state of our policy in China. Many Americans have a deep and sincere affection for the Chinese. Among them there are those who point out that it is ignoble of us to forsake our wartime allies in their hour of need. Therefore, they insist, let us do something for China, and let us do it through the living symbol of China's resistance, Chiang Kai-shek.

Let me, first of all, make clear the extent of aid already made available to the National Government. I have alluded

to the post-war military and international assistance which we have tendered to President Chiang. Mention should also be made of the American Army and Navy missions still in China to help establish a truly national military organization. Since 1941 total aid in the form of loans and grants is in the neighborhood of two and a half billion dollars. In addition we have transferred extensive quantities of surplus property at a fraction of original cost. We have also turned over 271 naval vessels. This year the United States Foreign Relief Program will allot \$27.7 million in medical supplies and food to China.

Furthermore the United States stands committed to provide additional assistance for non-civil-war purposes as the circumstances permit. When there is some assurance that our aid will assist in the restoration of the well-being of the Chinese people, its flow should increase. Those who are sincerely distressed over the plight of China need have no fear. The United States government will do all in its power to lessen the sufferings of the Chinese people, but will resist firmly all ill-considered efforts to have it add to their distress. The great shortcoming of many who insist, vaguely, that we "do something" for China is that they fail to realize the limitations as to what we can do. We can stand beside the Chinese as sympathetic friends. We can help them through our private charities, our Christian missions, our educational and cultural endowments, and through governmental grants or loans to meet their most pressing needs. All these measure we have taken and will continue to take. But we cannot supply the spiritual spark which will release the capacities of the Chinese people and channel them into a reconstruction of their noble civilization. That spark can—and will someday—come only from the heart of China itself.

Before concluding, I should like to discuss briefly another line of thought in opposition to the present relative abeyance of our Chinese policy. I am fully aware that there is a growing advocacy in the United States for action to halt the spread of communism in China. Briefly, it consists of several fundamental assumptions: that we cannot permit any foreign Power to dominate China; that it is futile to halt communism in Greece and not to halt it in China; that unless aid, both eco-

nomic and military, is extended immediately, the central government of China will collapse; and finally that such aid will be much cheaper than grandiose Marshall plans for Europe. One of the most disturbing factors in the views of those who insist on positive action is their assumption that the United States government is unaware that China and Russia have a common border of several thousand miles. I wish to reassure these people. The government not only is aware of the existence of this boundary but has been considering it in terms of the ultimate objective of American foreign policy for more than half a century! Let us, then, at least concede a measure of validity to the decisions which grow out of this experience and the day-to-day reports of trained observers in the field.

I shall avoid a detailed discussion of the problems, both military and economic, which would be involved in positive action in China. Suffice to say, despite specious arguments to the contrary, that they would be monumental. As an instance, let me recall the widespread hostility demonstrated just a year ago by the most politically conscious elements in China—the students—against the continued presence of American troops in China. And those troops were there with the peaceful intent of attempting to maintain the Nationalist-Communist truce. What would be the reaction if they were in China for the express purpose of assisting one section of the Chinese people against another? Those who advocate a return of American forces to Chinese soil in large numbers—and a program of “positive action” would ultimately involve precisely that—show an abysmal or arrogant indifference to one of the most powerful forces in Chinese life today—nationalism. They would take on for America the same heritage of hatred that the Russians are now busy constructing for themselves in Dairen and Port Arthur.

Finally, let me point out the fallacy of assuming that, since we are taking positive steps to aid Greece and western Europe, we must take similar action in China. The pattern of our Chinese policy is concerned with the establishment of a “strong, united and democratic China”. I assume that there is general agreement with this concept among Americans, although there may be legitimate disagreement over the technique for realizing

it. Obviously such a pattern cannot prevail if China is dominated by an outside Power. I think it legitimate to assume that our government is capable of making this simple deduction and therefore may be counted upon to apply measures necessary to support China's sovereignty against any outside Power. But the United States, in selecting the methods for implementing its policy in China, must weigh all the factors in the world situation against the resources it has available. It must mesh activity in China with that in the Far East, in Europe, and even in Latin America. In the pursuit of our objective in Asia we must not permit ourselves to be hastened into any action which would result in a partial fulfillment of our objective elsewhere or even in China itself.

The Chinese policy of the United States must continue to be considered in the light of reality and with due regard given to all the factors involved. This calls for intelligent action, unremitting patience, and a determination to follow through *at the right time and in the right way* in the achievement of the objective of American foreign policy—all over the world.

REMARKS BY THE CHAIRMAN

CHAIRMAN GILCHRIST: Thank you, Mr. Mansfield, for your balanced presentation of the problems of American policy in China.

Our next speaker has been on the faculty of the School of Business of Columbia University since 1920. He has also had practical experience of a varied and important type with agencies of the United States government, particularly during World War II, as Senior Assistant Administrator of the Lend-Lease Administration, and as Special Assistant to the Under Secretary and Assistant Secretary of State in 1944 and 1945.

In 1930, he wrote *Japan's Economic Position*. It is my pleasure to introduce to you Professor John E. Orchard, who will speak on the subject, "American Economic Policy and China's Reconstruction". Professor Orchard!

AMERICAN ECONOMIC POLICY AND CHINA'S RECONSTRUCTION

JOHN E. ORCHARD

Acting Dean, School of Business, Columbia University

I

UNITED STATES foreign economic policy has two broad, major tenets. The first is firm insistence upon the principle of nondiscrimination in all trade relations. It is the Open Door doctrine on a world-wide scale. The second encourages world economic expansion by substantial assistance to war-torn and underdeveloped countries for the purpose of progressive improvement in the standard of living of the peoples of those areas.¹

This twofold American policy carries into our relations with other countries the conviction that the American democratic way of life has been built upon an ever-growing total national output exchanged freely over a wide territory and distributed to the advancement of individual standards of consumption. We are translating our own experience into foreign policy in the belief that by expanding world production and safeguarding the dignity of the individual, authoritarian forms of government will become outmoded and international peace will be established on a firm foundation.

Nondiscrimination in trade has guided our relations with China from early times. The phrase "Open Door" as applied to commerce originated at the turn of the century when Secretary Hay, in a series of negotiations with France, Germany, Great Britain, Italy, Japan and Russia, sought to establish a commercial policy that would secure an open market in China

¹ U. S. Department of State, *The Development of the Foreign Reconstruction Policy of the United States* (Washington, October 2, 1947); and, "Geneva Draft of ITO Sets a Practical Pattern for World Trade", by Under Secretary William L. Clayton, *The Department of State Bulletin*, September 21, 1947, pp. 592-594.

for all the world's commerce and remove dangerous sources of international irritation.² At the same time, he hoped to maintain China's integrity in a period when the Powers were engaged in carving out "spheres of influence". In the genesis of the Open Door doctrine, there were strong political and economic motives. The policy was conceived both in friendship for China and in self-interest to defend American rights against the aggressive political and economic ambitions of third Powers. In a sense, it was a negative rather than a positive policy since it sought to establish and maintain the principle of nondiscrimination and did not initiate any specific benefits for China.

In the whole history of American economic relations with China, there has been this mixture of friendship and self-interest, this negative rather than positive attitude. The American objective has been an abstract desire for a strong and independent neighbor nation with which trade could be carried on freely.

Though American policy has emphasized the importance of a strong and independent China and though there have been repeated, sympathetic pronouncements to that effect, material encouragement from this country has not been significant. No direct United States governmental financial aid was extended to China until the Flood Relief Loan of 1931, and private American capital has played a comparatively minor part in economic development. In an estimate made of all foreign investments in China in 1931, American participation was placed at less than seven per cent of the total, compared with thirty-seven per cent for Great Britain and thirty-five per cent for Japan.³

American participation in China's economic affairs after 1931 was in terms of much greater dollar magnitude than had prevailed earlier.⁴ Besides the billion and a half dollars in Lend-Lease, there were loans for flood and famine relief, currency stabilization and other emergency financings. These

² MacMurray, John V. A., *Treaties and Agreements with and Concerning China, 1894-1919*, vol. I, pp. 221-235.

³ Remer, C. F., *Foreign Investments in China* (New York, 1933), pp. 76, 308.

⁴ *Department of State Bulletin*, April 15, 1944, pp. 351-365, "American Aid to China Since 1931".

advances cannot be considered as a part of a positive policy to build up the Chinese peacetime economy.

Our over-all wartime policy stressed the importance of Europe first and China later. Thus nearly fifty per cent of the Lend-Lease aid to China was supplied subsequent to V-J Day to assist in the disarming of the Japanese forces and in the reoccupation of territory held by Japan.⁵ The question arises whether in the post-war period our policy of reconstruction can be dominated by a philosophy of Europe first with emphasis on the Marshall Plan and postponement of any concern for the Far East. There are ample evidences that time is running out for China. Already weakened by years of conflict with Japan and now shaken by inflation and by civil war, China, both politically and economically, seems on the verge of collapse. It may well be that failure on the part of the American government to act effectively within the next few months or weeks may postpone for a generation or longer our objective of a strong independent China.

II

Obviously, under conditions of open civil war, the time is not ripe for long-range economic undertakings. There is a political problem to settle first, and the American government has some difficult decisions to make. Our stated policy of "non-interference in the internal affairs of China" has been a delusion. There is no such a thing as practical noninterference. By the very act of withholding aid, the balance is tipped. We had equipped many Chinese divisions for the war against Japan, and the later stoppage of maintenance supplies to those divisions immobilized them as effectively as if they had met defeat at the hands of the enemy. Mediation also tipped the balance of strength, for it allowed the Communist forces time to spread disorder while on the government side time meant further deterioration.

We have not taken the full measure of the problem that confronts us. Our first mistake was failure to sense early enough all the implications in China's internal political difficulties. Our second error has been misjudgment of the rapidity

⁵ Treasury Department, *Cumulative Report on Lend-Lease Fiscal Operations Under Public Law 23—77th Congress, approved March 27, 1941, Cumulative through December 31, 1946*, Washington, pp. 5, 9.

of the economic disintegration inherent in present conditions—the chaotic consequences of political disorganization, ruptured transportation, destroyed productive capacity, uprooted populations and the consequent loss of sources of revenue with which to maintain government or carry out any constructive plans.

We now recognize the dangerous foreign pressures in the China situation. We also should know that until there is assurance of political order any plans to assist in the expansion of national production face only failure. It is futile to attempt economic reconstruction as long as the forces of destruction are in control. It is hopeless to expect a Chinese government to make any real contribution to the rebuilding of the national economy as long as its meager resources must be devoted to the establishing of civil order.

If we accept the premise that political order must come before reconstruction and if we still hold that a strong and independent China is a vital objective of our policy to be achieved within a reasonable period of time, it would seem to follow that the American government must give positive aid to the present Chinese government. It is not an easy course to follow, for the government of China has many faults and we hesitate to give it our unqualified backing. Failure to do so, however, may mean at best an indefinite protraction of the civil war. More probably, it will mean the fall from power of Chiang Kai-shek or the material reduction of the area under the authority of his government. We must face the possibility of the rise in China of a communist state which might be strong but which would not be independent and certainly would not be friendly to the United States. Or circumstances may lead not to a single communist state but to a series of such states, one in Manchuria, another in Inner Mongolia, still another in China north of the Yellow River, all a prelude to continued conflict and further expansion just as inevitable as was the Japanese penetration south of the Great Wall once Japan had seized Manchuria. In either event, a single state or many, the political and economic balance in the Far East will have been tipped away from us and toward the Soviet Union.

Suppose we do decide to back the present Chinese government with sufficient military aid to reestablish its authority. The ability of the government to use that aid and to follow the

restoration of civil order with any real progress, political or economic, is subject to serious questioning. The record of recent months has certainly been far from favorable, but in the whole picture there are positive elements to weigh against the failures and the ineffectiveness. There are the years of real achievement in economic development between 1930 and 1937. In that period, the finances of the government were put on a sound basis, transportation by rail and highway throughout the country was greatly improved, and significant steps in industrialization were taken. These accomplishments were so vital that they undoubtedly alarmed Japan and were factors in precipitating the Japanese occupation. There is the war record—the stubborn refusal to yield to Japan—a quality of moral tenacity that probably meant the savings of months of fighting for the Allies and of thousands of American lives.

There are the beginnings of a democratic form of government in a period of great political turmoil. The adoption of a constitution patterned in part on our own, the reorganization of the legal framework on more democratic lines, the house-cleaning of dishonest officials, and the proposed reforms in army administration certainly have not brought about the realization of democracy, but they may be taken as evidences of intent.

It is important that our decision in the present crisis should be based on long-range American objectives in our policy toward China. Given political order, what are the possibilities of expanding the economy to provide a higher standard of living for the people and to ensure the healthy growth of an independent, self-reliant nation?

III

In terms of material resources for industrialization, China is adequately provided. By China is meant the whole area of Manchuria and Formosa, as well as China proper, organized in an economy in which goods are freely interchanged. This great region has most of the important elements necessary to the development of modern industry and agriculture under peacetime conditions. It does not have the wealth of resources necessary for aggressive modern warfare. Iron ore deposits, for example, while sufficient to support the development of an iron and steel industry geared to peacetime needs, are not of

the magnitude or quality to support large-scale war. Known petroleum reserves are quite small even for peaceful uses, and there are only scattered and modest reserves of the less bulky metals—copper, lead and zinc.

In other respects, China has great unexplored and undeveloped resources. Coal deposits are very large, ranking among the world's great reserves. The coal is of high quality and is widely distributed throughout the country. There is also enormous potential capacity for the generation of hydroelectric power in many rivers and streams over a wide arc of distribution. There are large newly discovered, unworked deposits of aluminous ores. Salt is available in practically unlimited quantities for the support of a chemical industry. Tin, tungsten and antimony are produced in important quantities, and there is some manganese. Resources of these and many other minerals are only partially known. Much new underground wealth was discovered by the Japanese in their wartime search for minerals, and there is still a large part of the country that has not been systematically surveyed, particularly in outlying provinces such as Sinkiang and Sikang. In many cases, deposits are known but unexploited because there has not been the industrial demand within the country.

No nation is completely self-sufficient in the minerals necessary for modern industry. The important consideration is a sufficient quantity of the bulky minerals of good quality within economic transport of the centers of consumption. China will not have Japan's problem of dependence upon outside sources for the basic raw materials.

The forest reserves for industrial use are substantial although they are not great in terms of the area and the population to be served. Much of China is treeless and the great remaining forests are located at the extremes of the continental area—in Manchuria on the northeast and Sikang on the southwest. A long overland haul is necessary to move the forest products to the places of use. Nevertheless, if China can remain politically and economically intact, there are timber resources sufficient to support considerable modern industry and to increase total national production. There are also, adjacent to the long coast line of China, great sea resources that have not as yet been systematically explored or developed.

China's great wealth of production through the centuries has been in agriculture. The total output for fourteen major food crops is in the neighborhood of 150 million metric tons per annum which is in a class with the production of comparable crops in the United States and is more than twice the output of basic foods in India. This enormous agricultural production ranks China among the world's greatest producers of food and industrial crops. It has permitted the population to reach between 400 and 500 million people, and it has been achieved by techniques that have prevailed over many centuries and that require very large use of manpower. They are the methods we used in America a hundred years ago, before we had the mechanical aids and scientific knowledge that bring forth our present production.

Again we may reason from our own experience. In little more than three decades, from 1909 to 1942, agricultural production in the United States increased in volume by fifty-eight per cent. Part of this increase was due to the addition of new lands under cultivation, for in that period there was an eleven per cent increase in land available for crops. At the same time, farm employment decreased by fifteen per cent. It is thus evident that the chief cause of the phenomenal increase in farm output was the use of modern scientific and mechanical aids by the smaller labor force remaining on the land.

Some of the mechanized methods that have been successful in the United States may not be suitable to Chinese conditions or applicable to terraced rice fields and small plots, but the use of seed selection, new varieties of crops, chemical fertilizers, insect and disease controls, improved tools, modern transportation and other technical aids to manpower can be made to increase substantially the output on farms in China. Although there is probably very little land that can be brought newly under cultivation, agricultural production is not at a maximum and it can be expanded to support the growth of modern industry. This increase can be obtained within two or three decades, as it was in America; and, by the same methods, the amount of labor involved can be reduced with a resulting increase in the individual output along with the expansion of national production.

Besides great mineral and agricultural resources, forests and coastal areas, China has an abundance of labor widely distrib-

uted throughout the country, industrious and skillful, though untrained in machine methods. Although the enormous population presents a serious Malthusian dilemma, it is China's greatest resource for industrialization. The genius and industry that built the old economy can be counted upon to build a new economy with the ample materials at hand.

The many problems of reconstruction are not problems of deficits in resources or manpower. China's industrial possibilities rest upon a much firmer base than was the case with Japan, though they are not of the same magnitude as those possessed by the United States or the Soviet Union. The great area and population, the varied climate and topography, the many streams and long coast line, the volume and variety of underground wealth and agricultural production provide a basis favorable to the development of a complex modern economy. The immediate obstacles to economic development in China are largely functions of the eight years of Japanese war followed by two years of civil war.

Economic conditions have become chaotic under the Communist war of attrition. There is no longer a functioning transportation system linking together the parts of the economy. By repeated attacks, the railways have been immobilized. Great gaps occur in the roadbeds, the rails have been torn up and carried away, the ties have been burned, the rolling stock destroyed. Similarly, waterway traffic has been interrupted and ships sunk. Coal is unable to move from the mines, and agricultural products cannot reach the cities. Until there is again a transportation system in operation, no progress can be made in rehabilitating the economy.

Another very serious consequence of the last ten years, and particularly the last two years of disaster, is the widespread destruction of capital equipment. There is now in China almost no industrial capacity with which to begin to rebuild from within. The ancient handicraft system can no longer supply the needs of the nation and the never abundant modern capital equipment has been subject to devastating attrition. The great industrial centers built by the Japanese in Manchuria have been reduced to impotence, first by the Russian removals of the best equipment and later by Communist deliberate destruction. It is generally agreed that reestablishment of the capacity that was in Manchuria on V-J Day will require a gen-

eration in time and will equal in magnitude the original task of industrialization by the Japanese.⁶

Similarly, in China proper, it has been consistent Communist strategy to destroy all productive capacity that might be useful to the Nationalist Government. In the areas of civil conflict, therefore, the mines, power plants, factories, waterworks, and even railway stations and hospitals have been stripped of equipment and wrecked.

The nucleus of industry that was built during the war in southwest China was at best a makeshift structure and almost immediately after V-J Day it was partially dismantled for removal back to the coast. Although some of the remaining plants are being worked, the reinstitution of this industry is faced with many of the same difficulties that made its operation during the war ineffective, namely, lack of replacement parts and limited transportation facilities. In southeast China and in Formosa, there has been considerable war damage to existing plants.

Added to these conditions of destroyed productive power and immobilized transportation, there is the further disintegrating force of spiraling inflation. The sound financial structure which the government was building when the Japanese invasion began was undermined during the war by loss of the major sources of revenue and by the introduction of puppet currencies and military yen. Subsequent to V-J Day, the expenditure of large sums for military purposes in the civil war and the inability to obtain adequate revenues from the deteriorating economy have resulted in inflation of astronomical proportions. A first consideration in the reestablishment of order must be stabilization of the currency.

IV

If the United States decides to support the Chinese government and to provide increased military aid, the companion piece to that political decision must be a short-range economic policy that will undertake, as soon as it is militarily feasible, the reestablishment of a basic minimum of transportation, initial development of new productive power and the stabili-

⁶ *Department of State Bulletin*, December 22, 1946, pp. 1154-1155, "Report of Edwin W. Pauley on Industrial Conditions in Manchuria"; and Bennett, Martin, "Stripped by War and the Soviets, Manchuria Faces Huge Rebuilding Job", *Engineering News-Record*, March 6, 1947, pp. 378-383.

zation of the currency. Unless the government that reestablishes order in China can immediately begin to develop production and maintain values, the political issues will remain unsettled and there can be no effective economic recovery.

The difficulties in such a program are enormous. The ease with which a war of attrition can be carried on and the vulnerability of all economic activity in such a war prolong the time before constructive action can be taken. The starting point must be transportation, since transportation is as necessary to military success as it is to economic rehabilitation. It is the most fundamental need of a large area. Until a basic framework of railway and waterway and, to a less extent, motor vehicle transportation can be reestablished and kept open, there will be starvation and economic disintegration on an increasing scale.

Following closely in the wake of transportation should come some new stimulus to productive activity. The first possibilities are in agriculture where a program for modernizing techniques can be undertaken even before the whole area is brought under control. A number of widely distributed demonstration centers can prepare the way for rapid adoption of tested techniques where transportation and order permit. The part of the United States in this program would be to supply scientific aid and technical experts organized in a coördinated program directed toward a goal of increased output.

The revitalizing of industrial activity will be more difficult and more costly. It can be begun within the existing commercial pattern by establishing a number of small power plants in villages and towns where handicraft production has been important. In some of these localities, there will be equipment that can be converted to the use of power at relatively little cost. In other centers, it will be necessary to bring in additional machines. But in all of the selected centers, there will be at hand raw materials, labor, and a knowledge of the industries that are undertaken. The wide abundance of coal in many localities makes possible the dotting of China with numerous small power plants for the building of the first stages of industrialization. In this way, the new development can draw strength from the old economy in the process of transformation. Power-plant equipment, some machines, and technical direction would be required from the United States for this program.

Simultaneously, with the first efforts toward reactivating production, financial aid will be necessary for the stabilization of the currency. As soon as the Chinese government has established order, it should be able to reduce very drastically the expenditures for military purposes and thereby to approach a balance of the national budget. There will be, however, a period before sources of revenue can be developed to meet all of the government's nonmilitary expenses. In that period, financial aid from America will be needed to provide the backing that will create confidence in the stability of a new currency.

A short-range program of aid would act as a stimulus to the Chinese economy in its most critical period and would provide time for the resurgence of national economic strength which can be accomplished only by the Chinese themselves. The demands it would make on the United States should not be minimized but they would be small in relation to the aid planned for Europe. Failure to provide aid to China could have as disastrous consequences as failure to help western Europe where the population of 270 million is little more than half as large as the population of China.

REMARKS BY THE CHAIRMAN

CHAIRMAN GILCHRIST: Thank you, Professor Orchard, for your scholarly paper and for the many practical suggestions which have been presented in it. It seems to me that when the question period begins, Representative Mansfield perhaps might like to comment on some of the points made by Professor Orchard, particularly in the beginning of his paper.

Our next speaker is a partner in the law firm of Davis, Polk, Wardwell, Sunderland and Kiendl. His experience in the Philippines goes back to 1928-29 when he was legal adviser to Henry L. Stimson, who was at that time Governor General of the Philippines. From 1944 to 1945, including the campaigns of Leyte and Luzon, he was with the United States Army (Civil Affairs Division) with General MacArthur in the Philippines. Again he was in the Islands, from January to June of last year, as Co-Chairman of the Joint Philippine-American Finance Commission, with the personal rank of Minister. He will speak to us now on "American-Philippine Relations: The Prospect". I have pleasure in introducing Mr. Edgar G. Crossman. Mr. Crossman!

AMERICAN-PHILIPPINE RELATIONS: THE PROSPECT

EDGAR G. CROSSMAN

Co-Chairman of the Joint Philippine-American Finance Commission

THE maintenance of good relations between the United States and the Philippines is of particular importance in view of past relations and the present position of the new Philippine Republic as an outpost of democracy in the Orient. The prospect is excellent. Present relationships are most cordial. The continuance of these relationships seems assured. No important divergence of national interest exists. On the contrary, the interests of both countries are parallel from the political, strategic and economic points of view.

I shall begin with a brief historical sketch of relations prior to independence, follow with present problems bearing upon relations and conclude with some appraisal of the future.

Precommonwealth Period: 1898-1935

American-Philippine relations from the time of the Spanish-American War until the passing of the Tydings-McDuffie Act in 1934 were largely colored by the independence issue. Shortly after the termination of the Spanish-American War the United States had a serious Filipino insurrection on its hands as a result of this issue. Thereafter various frictions developed from time to time as a result of the United States policy of slow and careful preparation for independence and Filipino impatience with this policy.

The Philippine government got into financial difficulties under the governor generalship of Francis B. Harrison, 1913-1921. General Leonard Wood who succeeded him had the unpleasant task of putting the house in order, which was done at the expense of a bitter fight with the Filipino leaders. Governor General Stimson, who succeeded General Wood in 1928, restored friendly relations which were continued by the last three governors general, Davis, Theodore Roosevelt, Jr., and Murphy.

Commonwealth Period: 1935-1941

In 1934 the United States Congress passed the Tydings-McDuffie Act which provided for a Philippine Commonwealth with a Filipino president instead of an American governor general. The United States was represented by a high commissioner whose powers were extremely limited. The Filipino-elected Senate and House were continued with full legislative powers as before. The Filipino president inherited the executive veto power of the American governor general. The United States retained jurisdiction over foreign relations, and the President of the United States had a veto power over certain fiscal and currency measures. Otherwise the Commonwealth was self-governing although United States sovereignty was maintained. This Act provided for complete independence on July 4, 1946. That eliminated the independence question as a source of friction. The Commonwealth government was established in 1935 and American-Philippine relations from the date of this Act until the Japanese invasion continued excellent.

Japanese Invasion and Occupation Period: 1941-1944, 1945

On July 26, 1941 the President of the United States ordered the organized military forces of the Philippines into the service of the armed forces of the United States. When the Japanese attacked in December 1941, the Philippine Army fought gallantly in resisting the invader. This performance was unique among all the so-called colonial peoples. The principal reasons were (1) that the United States from 1898 to 1941 had administered the Philippines on the whole excellently and without exploitation, and (2) that the Filipinos were not in reality a colonial people at this point. They had become almost completely self-governing several years before and had been promised complete independence on July 4, 1946.

Shortly after the surrender of Corregidor a Filipino resistance movement started which was a constant trouble to the Japanese and a tremendous help to United States forces, both prior to and during the liberation period. During the occupation period a system of guerrilla radio transmitting stations was set up throughout the Philippines. This could not possibly have been maintained had it not been for the complete loyalty

of the mass of the Filipino people. Shot-down American aviators were hidden, fed and protected at the risk of the lives of those furnishing the protection. Information made available to the United States Navy through this radio network was of invaluable assistance particularly in the so-called first battle of the Philippine seas. The military assistance given to the United States liberation forces in 1944 and 1945 by guerrillas under such leaders as Kangleon, Fertig and Volkmann was of incalculable value.

This joint successful effort of the United States and the Philippines against the common enemy—Japan—was the result of prior good relations and should be one of the most important factors in the continuance of such relations. The Filipinos are justly proud of their war record and are profoundly appreciative of the fact that the United States has carried out its obligation to deliver the Philippines from the enemy. Furthermore, the United States has carried out its promise to make the Philippines politically independent, and has put them into a favorable position to make themselves economically independent.

In early 1942, after the Japanese occupation, President Quezon, Vice President Osmena and a few other important officials were evacuated to Australia and thence to the United States where they set up a government in exile.

The Japanese military governed the Philippines for a time through a commission of Filipinos but in 1943 purported to grant independence to the Philippines, setting up a puppet Republic which existed until the liberation early in 1945. The Japanese policy was to make friends with the Filipinos. They carried it out very stupidly. The Japanese felt themselves racially superior to the Filipinos and did not conceal this feeling. As a minor but galling example all Filipinos, including the most distinguished, were required to bow to Japanese sentries. The repressive measures taken against the Filipino underground were brutal in the extreme, and after the Leyte Landing in October 1944 the Japanese adopted, apparently as top-level policy, a campaign of terror and brutality against the people, the most flagrant example of which was the senseless mass slaughter of Filipino civilians on the south side of Manila during the fighting there.

Liberation Period: 1944-1945

As a result of Japanese misbehavior, Filipino gratitude for liberation, and the general popularity which Americans had enjoyed prior to the Japanese occupation, there was good feeling between Americans and Filipinos during the liberation period and thereafter. I was in the Philippines as an officer on General MacArthur's staff from the time of the Leyte Landing in October 1944 until late in July 1945. During this period I traveled extensively throughout the Islands and never once saw or heard of any seriously unpleasant incident between United States troops and Filipinos.

Commonwealth Period: 1945-1946

While General MacArthur formally turned over the government of the Philippines to President Osmena on the Provincial Capitol steps in Tacloban, Leyte, on October 23, 1944, the Commonwealth government did not really begin to function fully until the latter part of February 1945 after the liberation of Manila had been completed. The process of reestablishing the central and local governments was necessarily slow during the first half of 1945 due to continued fighting in the Philippines, and even after V-J Day because of lack of adequate transportation and communication facilities. There had been a complete disruption of economic life, making tax collection almost impossible. This situation, while it improved as time went on, persisted throughout the entire period of President Osmena's term of office and to a lesser degree during the early months of President Roxas' administration. Roxas became the last president of the Commonwealth and the first president of the Philippine Republic when it was established on July 4, 1946.

During this period the originally good relations which had existed between United States troops and Filipino civilians were marred by a few unpleasant incidents. These incidents in no way reflected the generally friendly feeling of Filipinos toward Americans or of Americans toward Filipinos.

On April 30, 1946 the President of the United States approved two important laws greatly benefiting the Philippines. These were the Bell Trade Act, and the Tydings Rehabilitation Act. The Trade Act provided for free trade between the two countries for a period of eight years with a graduated duty

increasing five per cent a year beginning in 1954 for a period of twenty years. It also provided quotas on certain Philippine products, notably sugar, cordage, coconut oil and tobacco. Provisions of this Act in effect froze the quotas in the hands of pre-war producers on the basis of pre-war exportation to the United States. This provision has been severely attacked in certain quarters as a perpetuation of vested interests. Certainly it seems like a peculiar provision for the United States to force on a country which it was about to make independent. The Rehabilitation Act authorized the appropriation of four hundred million dollars for payment of private Philippine war damage claims, and one hundred twenty million dollars for payment of Philippine governmental war damage claims. It also provided for the transfer of surplus property, not to exceed one hundred million dollars, to the Philippine government to aid in rehabilitation. Private claims of five hundred dollars or less were to have preference over larger claims. United States government agencies were authorized to assist in the reestablishment of Philippine public roads, port and harbor facilities, public health service, inter-island shipping, inter-island aviation, weather information, fisheries, coast and geodetic survey, and were authorized to train a large number of Filipinos as technicians in the foregoing activities.

I come now to a discussion of certain important features of the present situation, by which I mean the situation from independence to date.

Independence Period: July 4, 1946 to Date

Economic Situation: On July 4, 1946 the Philippines became completely independent. At that time the country still faced an extremely serious economic and financial situation. Destruction throughout the Islands had been severe. Buildings, both public and private, had been burned and otherwise destroyed during combat. Transportation and communications had been badly disrupted. The Army had restored facilities only to the extent that they were needed for military operations, which still left large parts of the Islands without adequate housing, transportation or communications. Production of rice was insufficient. Sugar, which had been an important export crop, had to be imported. No gold was being produced.

A small beginning was being made in production of copra and abaca for export. It was still impossible to collect more than a small part of the taxes needed by the government. During the fiscal year ending July 30, 1946 the government had been run largely by the proceeds of nonrecurring windfalls, principally the coconut oil and sugar processing taxes remitted by the United States and part of the Exchange Standard Fund.

In May 1946 President Roxas requested from the United States loans totaling six hundred fifty million dollars. Four hundred million dollars of this amount was to assist in balancing the budget over a period of the next five years, and two hundred fifty million dollars was for capital reconstruction and rehabilitation. The United States Congress, in August 1946, authorized loans not to exceed seventy-five million dollars to meet the needs of the new Republic for the fiscal year ending June 30, 1947. In September 1946 the two governments agreed to establish a Joint Finance Commission consisting of three Filipinos and three Americans to consider the needs and resources of the Philippines and to report to the respective governments in regard thereto.

This Commission, of which I was the American Co-Chairman, began work in Manila in January 1947. It soon became apparent that conditions had improved tremendously in the six months following independence. Copra was being exported in a dollar volume greater than before the war. The country had become almost self-sufficient in rice production. No sugar imports would be needed in calendar year 1947, and an export surplus of three hundred thousand tons was predicted for 1948. Gold production was beginning. Imports were at a high rate with a consequent improvement in transportation, communications and many other necessities, although much too great a part of the imports was for nonessential luxury goods.

The American and Filipino Commissioners signed a unanimous report on June 7, 1947. The report did not recommend any further loans from the United States for budgetary purposes after the fiscal year ending June 30, 1947. Tax collections in fiscal year 1947 were so unexpectedly good that the Philippine government had to borrow only sixty million of the authorized seventy-five million dollars. The report urged upon the Philippine government that it adopt the objective of

balancing its budget in fiscal year 1948 by taxation and internal borrowing. It also recommended that after fiscal year 1948 the Philippine budget be met completely by taxation with proceeds of internal borrowing to be used for capital purposes. It also recommended borrowing for capital purposes from the Export-Import Bank or International Bank for actual dollar needs on a project-by-project basis. It also recommended measures for conservation of dollar exchange and the establishment of a central bank, with government borrowing from that bank limited to small seasonal loans. I believe that this report may well be considered by the Philippines as a charter of economic independence.

The "Parity" Amendment to the Philippine Constitution: The Trade Act provided for an executive agreement between the United States and the Philippines, one of the terms of which required an amendment to the Philippine Constitution to provide equal rights for United States citizens in the development of natural resources and the ownership and operation of public utilities. This provision of the Trade Act had been objected to by the United States State Department, but, nevertheless, was incorporated into the law.

This provision was extremely unpopular with many Filipinos as an invasion of sovereignty, and was unfortunate in theory. On the other hand, the advantages to the Philippines of the Trade Act and the Rehabilitation Act were so obvious and the "parity" provision probably of so little practical importance that, in spite of its unpopularity on theoretical grounds, the necessary constitutional amendment was approved in a plebiscite in March 1947 by a vote of approximately nine to one.

Military Base Agreement and Military Assistance Agreement: A Military Base Agreement and Military Assistance Agreement were entered into between the two governments in March 1947 after lengthy negotiations between Ambassador McNutt and Philippine officials. The Filipinos were insistent that no important bases be established near large centers of population and their wishes were respected. Under the Military Assistance Agreement the United States maintains a Military Advisory Group to advise the Philippine Army and will furnish certain matériel and equipment. From the point of view of relations between the two countries these agreements are im-

portant as evidence of the continuing interest of the United States in the Philippines, not only from the point of view of long-range strategy of the United States, but also as affording some measure of protection for the Philippines.

Surplus Property and Emergency Currency: Under an agreement concluded in September 1946 the United States government turned over to the Philippine government surplus property with an agreed fair value of one hundred thirty-seven million dollars and twenty-five million dollars in cash to meet the surplus property obligation under the Rehabilitation Act and in consideration of a release to the United States of its obligations with respect to that portion of emergency currency, guerrilla currency, military scrip, and so forth, used during the Japanese occupation for military purposes by guerrillas.

This settlement has what appears to me to be two unfortunate possibilities: (1) It is now estimated by the Filipino officials responsible for disposal of this property that not more than fifty million dollars will be realized as against the one hundred thirty-seven million dollars estimated sales value. It seems probable that the Philippine government, after all of this surplus property has been sold, will request that any deficiency be made good by the United States. Any controversy which may result should be susceptible to fair and equitable solution. (2) The twenty-five million dollars in cash and estimated thirty-seven million dollars' worth of surplus property turned over to the Philippines in satisfaction of the obligations of the United States for emergency and guerrilla currency are probably not sufficient for the purpose. That part of the currency which was validly issued and used for military purposes is a debt of honor of the United States. A release of this obligation by the Philippine government for a consideration which now appears inadequate is not a satisfactory discharge of the debt.

War Damage Payments: The war damage provision of the Rehabilitation Act is a complete departure from previous United States policy. It is my understanding that never before in the history of the United States has our government made any payment whatsoever for combat damage. The amounts authorized to be appropriated fall far short of United States and Philippine official estimates of actual loss, and even

farther short of the estimated replacement cost under present conditions of high costs of materials and labor. The provision requiring payment of small claims first was doubtless inspired by laudable humanitarian motives. The result of this provision is to make the amounts paid of not much direct importance in economic rehabilitation of the Philippines. The indirect effect of these payments in making available to the Philippine economy as a whole a large amount of dollars should be highly beneficial. In spite of its quantitative and qualitative deficiencies the war damage provision is an important favorable factor in good relations between the two countries.

The Veteran Problem: The wartime ardor of the Filipino veteran has been tempered by post-war problems which are, in many instances, to him legitimate grievances. His principal disappointments have been: no redemption of guerrilla currency after the Leyte redemption; slow recognition of guerrilla forces; qualifications on back pay; promises made and withdrawn as to parity pay with the American G. I.; and, the crowning blow, Congress' restrictions of G. I. benefits to insurance and certain disability and death benefits.

The veterans' hope has been stimulated this year by Congressional authorization to continue Veterans Administration offices in the Philippines and extension of the benefits of the Missing Persons Act, and by the introduction of a bill not yet passed to provide compensation for disability and death, hospitalization, burial benefits and educational benefits. This bill, if passed, should help to reaffirm the veterans' faith in America. It is important that the Filipino veteran be more fairly treated, not only because of his service to our cause but also because of wartime promises to him.

Collaboration: The Filipinos were overwhelmingly loyal to the United States. Very few helped the Japanese in any material way and even fewer wanted to help them. Those who actively resisted the Japanese were extremely bitter against the collaborationists for a period after liberation. Time, however, has tended to reduce the intensity of this feeling. Collaboration as a major issue in the Philippines seems dead, although punishment may still be meted out to a few of the more important offenders.

Collaboration was eliminated as an issue between the two countries by the wise decision of the United States to leave the matter solely in the hands of the Philippine government.

Appraisal of the Future

I know of no important controversial issue between the two countries. Relations should remain excellent. The maintenance of the best possible relations will depend largely upon the success of the Philippine government in maintaining and improving political stability and in seizing its unique opportunity for achieving economic independence and stability. Political stability and economic stability are closely interrelated.

The chief present threat to political stability is a demand for agrarian reform of which the Hukbalahap is the most active proponent. The Hukbalahap is a guerrilla group in central Luzon, the rice bowl of the Philippines. It did much damage to the Japanese during the occupation. After the occupation the Hukbalahap kept its weapons and has been in more or less open revolt against the government ever since. President Roxas is himself an advocate of agrarian reform and realizes that these people have a real grievance. The old division of rice between tenants and landlords was changed by a recent statute in favor of the tenants but this has not been effective. The basic trouble is that this region of central Luzon is overpopulated and the farms are so small that it is impossible for most of these people to get more than a mere subsistence from them. The solution is threefold: (1) emigration to large, unpopulated land areas of Mindanao and elsewhere in the Islands; (2) a measure of industrialization which could furnish employment to many of these people; and (3) purchase by the government of large landed estates in the area, with subdivision and resale to the tenants. Of these, the third is the least promising because of the enormous cost of such a project, and because there is not enough land for the population involved. The first two remedies are therefore more promising, but will both take time.

The Moro problem is a secondary but serious threat to political stability. The Moros are Mohammedans and in miniature present a problem in some ways similar to that of the Moslems in India. Fortunately they are segregated in Mindanao and the Sulu Archipelago. There are about one million Moros and

about seventeen million Christian Filipinos. The Moros are a warlike race and became generally armed during World War II. The Philippine government is trying to persuade them to give up their arms peaceably. It took the United States several years and a good deal of fighting to disarm them after 1898. President Roxas has shown wisdom in appointing Moros as governors of Moro provinces. These governors have functioned well. Nevertheless, the danger of armed conflict between Christian Filipinos and Mohammedan Filipinos cannot be dismissed lightly.

The Philippines have a unique opportunity to achieve a sound and prosperous economy. The country is extremely rich in natural resources. It is one of the few war-torn countries of the world with an abundance of dollars. During 1945 and 1946 United States government payments to the Philippines exceeded five hundred million dollars. From 1947 to 1950 they are estimated to total at least one billion dollars. Steps to channel this nonrecurring dollar flow into productive enterprise should be taken by higher excise taxes on luxuries and if necessary by direct import controls. If properly handled these steps should result in the industrialization needed as a partial solution to the central Luzon problem, and at the same time make the Philippines more self-sufficient in the production of goods which they now import as against the future when the extraordinary dollar flow will stop and the present preferences under the Trade Act will begin to diminish. It is also vital for the welfare of the Philippine economy that taxes be increased substantially and that tax collection be greatly improved. The Philippine government should achieve thereby a balanced budget in the near future by a combination of taxation and internal borrowing, and shortly thereafter be able to run the government from taxation alone and apply the proceeds of internal borrowing to necessary productive capital enterprises. I have every confidence that the Philippine government and the Filipino people under the able leadership of President Roxas will make the most of their unusual opportunity and in the near future achieve a measure of economic independence commensurate with their present political independence. This should assure their success as the outpost of democracy in the Orient.

The rôle of the United States with respect to this experiment is important. If the Philippine government is successful in getting its current receipts up to current expenditures, it will have no need to incur further debt to the United States on current account with the almost inevitable unpleasant feeling between debtor and creditor on payday. Loans for capital account should be largely self-liquidating. Present loans of sixty million dollars by the United States are of manageable size. The United States has started this new Republic and has a very special relationship to it. The United States should, and I believe will, stand ready to furnish needed capital loans and technical advice and assistance as requested. We should not intermeddle with the affairs of the independent Philippines but we should be careful to let the Filipinos know that we have in no way abandoned them and that we have a warm and continuing interest in their welfare.

REMARKS BY THE CHAIRMAN

CHAIRMAN GILCHRIST: Thank you, Mr. Crossman, for your informative, analytical paper. It is indeed encouraging to hear of one country which is not short of dollars and particularly interesting, I think, to learn of the marked contrast between so many conditions in China and in the Philippines, despite the geographical propinquity of these two countries.

We now go from the Philippines north to Japan. Mr. Borton will speak to us on "American Occupation Policy in Japan". His acquaintance with that country began as a graduate student, following graduate study at Leyden in Holland where he took his Ph. D. degree. He learned Japanese, later taught at Columbia University and was on the staff of the Institute of Pacific Relations for a time, and for that organization he wrote in 1940 a book entitled *Japan Since 1931 — Political and Social Developments*.

Since 1942, Mr. Borton has been in the State Department charged largely with problems concerning the post-war situation in Japan. He is now Special Assistant to the Director of the Office of Far Eastern Affairs in the State Department. It is a pleasure to introduce to you Mr. Hugh Borton.

AMERICAN OCCUPATION POLICIES IN JAPAN

HUGH BORTON

Special Assistant to the Director, Office of Far Eastern Affairs

AMERICAN occupation policies for Japan are based on the concepts originally set forth on July 26, 1945 in the Potsdam Proclamation by the President of the United States, the President of China and the Prime Minister of Great Britain and later adhered to by the Soviet Union. In this declaration, as you will recall, we set forth our minimum terms for Japanese capitulation. We stated that the authority and influence in Japan of those responsible for Japanese aggression must be eliminated for all time and that irresponsible militarism must be driven from the world before there can be order, peace and security. It provides for the occupation of Japan to achieve our objectives and the limitation of Japanese sovereignty to the four main islands of Japan and such minor islands as we determine. According to the Potsdam Agreement, Japanese military forces were to be completely disarmed, stern justice was to be meted out to all war criminals, but the Japanese were not to be destroyed as a race or as a nation. The Proclamation assumed that the administrative governmental machinery in Japan was to continue and consequently placed direct responsibility on the Japanese government to remove all obstacles to the revival and strengthening of democratic tendencies among the Japanese people. In the economic field, Japan was to be permitted to maintain those industries that would sustain her economy and permit the exaction of just reparations in kind, to have access to raw materials, and eventually to participate in world trade relations.

Having established our general terms, it was necessary that the United States act toward Japan in such a way as to preserve two basic policies; namely, that the predominant position of the United States in the war in the Pacific be preserved and that, at the same time, the legitimate rights and interests of our allies be met. Consequently, General of the Army Douglas MacArthur was designated as the Supreme Commander for the

Allied Powers and was given supreme authority over Japan. The Surrender Instrument of September 2 specifically provided that the authority of the Emperor and the Japanese government to rule the state should be subject to the Supreme Commander who would take such steps as he deemed proper to effectuate the terms of surrender. United States policies were further elaborated in the United States Initial Post-Surrender Policy for Japan which was approved by the President on September 6, 1945. This statement, an amplification of the basic principles set forth in the Potsdam Declaration, contained provisions whereby the special interests of the United States would be preserved and at the same time recognized the legitimate interests of the Allies. It stated that the ultimate objectives of the United States in regard to Japan were, first, to insure that Japan was not again to become a menace to the United States or to the peace and security of the world, and, secondly, to bring about a peaceful and responsible government which would respect the rights of other states. It provided for the immediate disarmament and demilitarization of Japan and that there would be military occupation of Japan to effectuate the surrender terms and to further the achievement of the ultimate objectives. It stated also that the occupation should have the character of an operation in behalf of the principal Allied Powers acting in the interests of the United Nations at war with Japan but that the occupation forces would be under the command of a Supreme Commander designated by the United States. To assure that the predominant influence and responsibility of this government were maintained in Japan the policy provided that, although every effort would be made by consultation and by constitution of appropriate advisory bodies to establish policies for the conduct of the occupation and the control of Japan which would satisfy the principal Allied Powers, in the event of any differences of opinion among them, the policies of the United States were to govern.

The United States had already taken steps for the establishment of such advisory bodies. On August 21, 1945 the United States suggested to China, Great Britain and the Soviet Union the establishment of the Far Eastern Advisory Commission. This purely advisory commission, in which the Soviet Union

did not participate, was succeeded by the Far Eastern Commission, in which the Soviet Union does participate, with specific policy-making functions following agreement at Moscow in December 1945. The Terms of Reference of the Far Eastern Commission stated that its functions should be to formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender were to be accomplished and to review any directive issued to the Supreme Commander or action taken by him involving policy decisions within the jurisdiction of the Commission. Other sections of the Terms of Reference, however, preserve the special position of the United States. For example, in its activities the Commission must respect existing control machinery in Japan, including the chain of command from the United States government to the Supreme Commander and his command of the occupation forces. The United States government also prepares the directives for the Supreme Commander in accordance with the policy decisions of the Commission, while full powers of implementation of these directives are reserved to General MacArthur. The United States government has the additional authority to issue interim directives to the Supreme Commander pending action by the Commission whenever urgent matters arise not covered by previous Commission decisions, providing such directives do not deal with fundamental changes in the Japanese constitutional structure, the régime of control, or a change in the Japanese government as a whole. Finally, under the voting procedure of the Far Eastern Commission no policy decision can be passed without the approval of the United States, for the Terms of Reference provide that any action must have the concurrence of at least a majority of all the representatives including the United States, the United Kingdom, the Soviet Union and China. While this veto provision has postponed favorable action on many issues in the Far Eastern Commission, it has likewise assured the United States that no policies will be adopted which are not acceptable to it.

As all policies approved by the Far Eastern Commission have had to receive United States concurrence, an understanding of recent American occupation policies in Japan can best be reviewed by consideration of basic decisions of the Far Eastern

Commission. Since its inception on February 26, 1946, the Far Eastern Commission has dealt with political, economic and social policies for Japan. In the political field, with the appearance on March 6, 1946 of the draft of the new Japanese constitution sponsored by the Japanese government and released with the personal endorsement of General MacArthur, the Commission gave careful consideration to the question of constitutional reform. The criteria for the adoption of the new constitution were to be such as to insure that the constitution was a free expression of the will of the Japanese people, that adequate time and opportunity were allowed for its discussion, that legal continuity from the Constitution of 1889 was assured and that the new constitution was adopted in such a manner as to demonstrate that it affirmatively expressed the will of the Japanese people. Two months later, decision was reached in the Commission on the basic principles for a new Japanese constitution. These principles provided that the executive should derive its authority from and be responsible to the electorate or a representative legislative body, the legislature should have full financial power, the judiciary should be independent, that the ministers of state should be collectively responsible to the legislature, and that if the institution of the Emperor was retained the Emperor should act in all matters in accordance with the advice of the Cabinet and should have no executive powers. A careful examination of the constitution as promulgated on November 3, 1946 reveals that it conforms closely to these principles and since that time the Japanese Diet has been implementing the new constitution through the revision of the basic laws.

In more general terms the Far Eastern Commission agreed that Japan should be disarmed and demilitarized and all military forces should be disbanded. Persons who had been active exponents of militarism and militant nationalism were to be removed and excluded from public office and any other position of public or substantial private responsibility, while ultranationalistic organizations were to be dissolved and prohibited. Military training in all forms was to be eliminated from the educational system, and stern justice was to be meted out to all war criminals. On the positive side, freedom of worship and of observance of all religions was to be proclaimed and

guaranteed for the future, and the Japanese people were to be afforded opportunity to become familiar with the history, institutions, culture and accomplishments of the democracies. Encouragement was to be given to democratic political parties with rights of assembly and public discussion and to the formation of trade unions, subject, of course, to maintenance of security of the occupied forces. Individual liberties and civil rights were to be protected, and laws and decrees were to be abrogated which established discrimination on the grounds of race, nationality, creed or political opinion. On all these matters, either General MacArthur has taken steps to carry these policies out or the Japanese government has done so.

Economic objectives in large measure have been twofold: first, to complete the task of the demilitarization of Japan through industrial disarmament, economic reform designed to deprive Japan of power to make war and the elimination of militaristic influences; secondly, to help the people of Japan, in their interest as well as that of the world, to meet their reasonable economic needs through the development of peaceful industries and participation in world trade. To meet the first objective of demilitarization, the Far Eastern Commission agreed that organizations of labor in industry and agriculture organized on democratic bases were to be encouraged and policies were to be laid down with the object of ensuring a wide and just distribution of income and the ownership of the means of production. To this end, the retention in important positions in the economic field of individuals who because of their past associations could not be trusted to direct Japanese economic effort solely toward peaceful and democratic ends was to be prohibited. Thus SCAP has encouraged coöperatives, a capital levy has been enacted, and a bill is now before the National Diet providing for the liquidation of undue concentration of economic power.

The second objective of helping the Japanese to resume peaceful economic activity and international trade and financial relations is essential since otherwise this country of seventy-five million crowded into a war-torn area less than the size of California would be an increasingly heavy burden on the American taxpayer. To meet this objective the Japanese government was made responsible for maintaining internal eco-

conomic controls over wages and prices and for effecting controlled distribution of commodities in short supply. After several months of delay, an Economic Stabilization Board was finally established with necessary control functions. In view of worsening internal economic conditions and after clear indication that the government was not exerting its best efforts to control inflation, General MacArthur wrote the Prime Minister on March 28, 1947 to the effect that future food imports from the United States had been calculated on the assumption that Japan would maximize its production of indigenous food supplies and assure their equitable distribution, and indicating that imports of American food would be subject to satisfactory Japanese performance in these fields.

Internal economic controls were not sufficient to permit Japan to sustain her peacetime economy. The Far Eastern Commission established the principle that the peaceful needs of the Japanese people should be defined as being substantially the standard of living prevailing in Japan during the period 1930-34. But before any advance could be made toward greater self-support for Japan, trade had to be developed. To this end on October 10, 1946 the Far Eastern Commission approved the establishment of an Inter-Allied Trade Board for Japan composed of representatives of the eleven countries members of the Far Eastern Commission. The purpose of the Board is to assist the United States and the Supreme Commander in the disposition of exports from Japan and in the furnishing of imports required for Japan and to make recommendations to the United States government on the best arrangements for facilitating Japanese exports and imports generally. Since October 24, 1946, the board has been meeting in Washington and has been primarily concerned with the allocation of Japanese textile exports, the marketing of Japanese silk and the problem of reopening private trade.

In furtherance of the trade program for Japan, the Far Eastern Commission decided on the criteria that should govern the conduct of Japanese world trade. It declared that the primary objective of the Japanese import program should be to minimize the cost and difficulty of procurement, but at the same time giving due consideration to the needs of countries other than Japan for commodities in world short supply.

In the case of exports, the destinations of exports from Japan should be such as to maximize the proceeds of such exports, taking into account the price, the purchasing power of the currency for which the commodity is sold, and the availability of necessary imports which can be procured with the proceeds of the exports. Furthermore, necessary decisions were reached relating to Allied Trade Representatives in Japan, and private traders have been permitted in Japan since August 15, 1947. Furthermore, action by the Far Eastern Commission has recently made it possible to use Japanese-owned liquid assets of gold and silver as a credit base to facilitate the import of raw materials; General MacArthur has established a revolving fund which has initial assets of \$137 million.

Other steps have been taken by the Far Eastern Commission in reference to Japanese production. In order that Japan might supply goods needed in areas deprived of such goods as a result of Japanese aggression, it was agreed that measures should be continued or taken to stimulate Japanese production of goods required for export and to ensure that the kinds of goods produced are those in demand in countries requiring supplies from Japan. Furthermore, the Supreme Commander has been directed to ascertain the types and amounts of goods in Japan available for export, to recommend the types of goods to be imported, and to develop a trade program.

Recognizing that the settlement of the reparations question will have a salutary effect on the Japanese economy by eliminating present doubts as to what will be expected of Japan in the way of reparations, the United States has repeatedly pressed for a speedy decision by the Far Eastern Commission on reparations questions. So far, agreement has been limited to such items as interim reparations removals, the criteria for the selection of plants for reparations and the broad principles to be used in determining shares for each country. These principles provide that reparations be in such form as will not endanger the fulfillment of the program of demilitarization of Japan, and which will not prejudice the defraying of the cost of occupation and the maintenance of a minimum civilian standard of living. The Commission is still trying to determine, on a broad political basis, the shares of reparations which each particular country should receive.

In conclusion, one of the most important problems in relation to Japan at the present moment is the negotiating of a peace treaty. Having become convinced that the time had arrived for the convening of a peace conference on Japan, the United States suggested on July 11, 1947, as you will recall, to the ten other countries members of the Far Eastern Commission that a conference to discuss a peace treaty for Japan be held as soon as practicable, such a conference to be outside the Far Eastern Commission but to be composed of representatives of members of the Commission. The United States further proposed that voting in such a conference be by a two-thirds majority, that it initially be composed of deputies and experts to prepare a draft treaty and that after such a treaty was approved by the Foreign Ministers of the eleven countries concerned it be submitted to a general conference of all the states at war with Japan. All of the countries except the Soviet Union agreed with the proposal for an eleven-Power conference and eight of them agreed to our proposed voting procedure. The Soviet Union maintained that the question of convening a conference for the drawing up of a peace treaty for Japan should be provisionally examined by the Council of Foreign Ministers composed of the United States, the Soviet Union, China and the United Kingdom.

On August 12, 1947, the United States rejected this proposal and stated that it was hoped the Soviet Union would be willing to attend a conference of Far Eastern Commission countries, such a conference being free to decide its own procedure. On August 29 the Soviet Union reiterated its former position. More recently, the Chinese Foreign Minister has indicated that the peace conference should adopt a voting procedure similar to that which obtains in the Far Eastern Commission whereby decisions are taken by a majority vote including the concurrence of the United States, the Soviet Union, China and the United Kingdom. Press statements from Nanking have indicated that if the Chinese participated in a peace conference which the Soviets refused to attend, such action would have serious consequences upon Soviet-Chinese relations because of Article II of the Sino-Soviet Treaty of 1945 which states:

The High Contracting Parties undertake not to enter into separate negotiations with Japan and not to conclude, without mutual consent, any armistice or peace treaty either with the present Japanese Government or with any other government or authority set up in Japan which will not renounce all aggressive intentions.

Before a peace conference on Japan can be called, therefore, it is necessary to work out a voting procedure which will be acceptable to the countries concerned.

REMARKS BY THE CHAIRMAN

CHAIRMAN GILCHRIST: Thank you, Mr. Borton, for your able presentation of the problem of American occupational policy in Japan. We hear so much, read so much in newspapers of what General MacArthur is doing in Japan that it is certainly interesting and valuable to learn of the important rôle which is also played in developments in Japan by the Far Eastern Commission.

The Honorable Francis B. Sayre has had for many years an important part in many liberal developments in the Far East. From 1923 to 1930 he spent most of his time in Siam. During that time, he helped to negotiate for the Siamese government a large number of treaties with western nations by which extraterritorial rights in Siam were terminated. He was Assistant Secretary of State for six years, and, as I think most of us recall, United States High Commissioner to the Philippines from 1939 until 1942 when fortunately he was able to escape from the Philippines after the Japanese attack. Later for two or three years he was Diplomatic Adviser to UNRRA and since the early part of 1947 he has been United States Representative and Chairman to the United Nations Trusteeship Council.

One of the innovations in the trusteeship arrangements which were inserted in the United Nations Charter, as compared with the program of the Mandates System under the League of Nations, was the provision for visits to trust territories. Frank Sayre was recently chairman of the first group which made a visit under the auspices of the United Nations to one of the trust territories, Western Samoa.

It is a particular pleasure to introduce to you for a talk on "American Trusteeship Policy in the Pacific" my old friend, The Honorable Francis B. Sayre.

AMERICAN TRUSTEESHIP POLICY IN THE PACIFIC

FRANCIS B. SAYRE

U. S. Representative, United Nations Trusteeship Council

FOR more than a century we Americans have traveled and traded the length and breadth of the Pacific. In the nineteenth century American clipper ships in the China trade and whalers searching the seas for whale discovered many of the remote atolls and islands of the central and south Pacific. In the twentieth century American planes are pioneering in a new form of transportation. Our adventuring ships and planes have brought us into close touch with the problems of the peoples of the Pacific. We have become naturally concerned with these problems, particularly with those of the non-self-governing peoples under our own or others' rule.

What are the fundamental objectives today of American foreign policy in the Pacific?

Colonial policies of the seventeenth, eighteenth and nineteenth centuries had been built upon the unquestioned assumption that colonies and possessions exist largely for the benefit of the administering country. It is true that there was also an active missionary interest. But, in general, colonies were sought for their worth as military or naval vantage points or for the wealth which they could be made to pour into the lap of the mother country. Colonial policies framed primarily for the profit of the ruling race are bound to bear evil fruitage for both the dominant and the subservient peoples; and we are paying today, and unhappily we will pay for many years to come, the price of old-style imperialism built upon exploitation.

Fortunately for ourselves, American colonial policies in the Pacific did not take shape until the end of the nineteenth century, when new thoughts and more wholesome conceptions were astir. The First World War shook the world free of many outlived policies and beliefs. President Woodrow Wilson, in his address of February 11, 1918, declared that "peoples and provinces are not to be bartered about from sovereignty

to sovereignty as if they were mere chattels and pawns in a game . . . but every territorial settlement involved in this war must be made in the interest and for the benefit of the populations concerned" At his insistence, the mandates system written into the treaties of peace which concluded the First World War gave practical realization to these progressive and liberalizing principles in the case of the former German and Turkish colonies. The well-being and development of the peoples in the mandated territories were declared to be "a sacred trust of civilization".

This new policy, that in non-self-governing territories the welfare of the inhabitants shall be the first consideration, expressed in occasional utterances toward the end of the nineteenth century and first declared in a binding international agreement in the mandates provisions of the League Covenant in 1919, America has adopted as the main foundation of its policy in the Pacific, as in every other part of the world. Our treatment of the Filipinos proves the genuineness and sincerity of that policy. In our activities in the Pacific, America has been guilty of shortcomings and mistakes and occasional failures; but our policy has not been consciously based upon exploitation. Alaska, Hawaii, Guam and American Samoa, as well as our territories in the Caribbean, reveal generally a forward-looking and progressive colonial policy based upon the well-being and advancement of the local inhabitants.

A second important element of our Pacific policy is the strong desire that these non-self-governing territories should play their part in the maintenance of international peace and security. The lesson of the Second World War bit into our souls. After the war we were determined that never again should Pacific islands be permitted to serve as bases for aggression by militaristic nations. In so far as they possessed potential value as military or naval bases, they must be utilized for the common defense of the United Nations fighting for human rights and never for the aggressive designs of any single state acting in its own interests.

Upon these two foundations has been built the present American trusteeship policy in the Pacific, of which I desire to speak this morning. It is a policy developed under the United Nations, embodying the best of modern thought in colonial

development, full of possibility, but as yet unproven in the fire of experience and of strain.

The trusteeship system, inaugurated in the Charter hammered out at San Francisco in 1945, is the direct outgrowth of the mandates system of the League of Nations.

The trusteeship system, however, goes considerably farther. It is made applicable under the Charter not only to the former mandated territories, but also to territories which may be detached from enemy states as a result of the Second World War, and to territories voluntarily placed under the system by states responsible for their administration.

The basic objectives of the trusteeship system are set forth in the Charter in bold and broad-visioned terms:

- (a) the furtherance of international peace and security;
- (b) the promotion of the political, economic, social and educational advancement of the inhabitants of the trust territories, and their progressive development toward self-government or independence;
- (c) the encouragement of respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language or religion; and
- (d) the ensuring of equal treatment in social, economic and commercial matters for all members of the United Nations and their nationals, and also equal treatment for the latter in the administration of justice.

Here is a daring venture. Nothing so far-reaching within the realm of government over dependent peoples was ever before attempted.

The first of these objectives — the furtherance of international peace and security — is an attempt to integrate trusteeship territories into the general program of the United Nations for the security of all peoples. Non-self-governing territories in the past have been too often breeding spots for war. Many contain valuable raw materials or offer rich markets; many command highly desirable shipping or aviation routes; still others constitute naval and military bases of strategic significance. Such territories frequently become sources of international rivalry or even conflict.

Under the trusteeship system the attempt is being made to change such territories from possible international liabilities into assets. Not only are such territories removed from the area of international rivalry, but under the Charter provisions an effort is made to turn them into islands of security. The Charter makes it the positive duty of the administering authority ". . . to insure that the trust territory shall play its part in the maintenance of international peace and security. To this end the administering authority may make use of volunteer forces, facilities, and assistance from the trust territory in carrying out the obligations towards the Security Council undertaken in this regard by the administering authority"

The second objective of the trusteeship system — the promotion of political, economic, social and educational advancement of the inhabitants and their progressive development toward self-government or independence—embodies the other twin objective of American colonial policy. This second objective embodies the central conception of the mandates system, but goes beyond it. The Covenant (Article 22) confined the mandates objective to "the well being and development" of the inhabitants. To this the framers of the Charter at San Francisco boldly added "progressive development towards self-government or independence". The American ideal of human freedom was written into a binding international agreement.

The third objective is "to encourage respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language or religion". Here is another distinctively American ideal, now become a binding international obligation. The United States was itself once thirteen non-self-governing colonies. In 1776 fundamental human freedoms for all without distinction as to race, sex, language or religion were so precious to us that we offered our lives to attain them. America, born of this age-old fight for human freedom, could not deny it to the outlying territories we acquired. It must always be a fundamental and essential part of the colonial policy of the United States.

The fourth objective of the trusteeship system — "equal treatment in social, economic, and commercial matters for all Members of the United Nations and their nationals" — although also a part of the mandates system, is more fully de-

veloped under the Charter. Here again a deep-rooted American ideal—the elimination of discriminatory practices in economic and commercial relations—was turned into an international obligation making for peace.

These, then, are the four basic objectives of the United Nations trusteeship system as defined by the Charter. We Americans believe these ideals to be practicable, and we believe them to lie at the very foundations of peace.

When, therefore, the United States, as a result of military occupation in the Second World War, took over the Japanese mandated islands—the Marshalls, the Marianas and the Carolines—some 98 islands and island clusters, it faced the alternatives of annexation or of administering them under the international trusteeship system of the United Nations. In the Atlantic Charter of August 14, 1941 we had joined in a common declaration that our countries would “seek no aggrandizement, territorial or other”. In the Cairo Declaration of December 1, 1943 we joined in declaring that “the Three Great Allies are fighting this war to restrain and punish the aggression of Japan. They covet no gain for themselves and have no thought of territorial expansion”. At Yalta, in February 1945, we agreed that existing mandates of the League of Nations, as well as territories detached from the enemy as a result of the Second World War, might by agreement be placed under trusteeship. Our course was therefore clear.

On November 6, 1946, President Truman stated that “the United States is now prepared to place under trusteeship, with the United States as the administering authority, the Japanese Mandated Islands . . .” Thus the course of American trusteeship policy in the Pacific was charted and another step taken along liberal and progressive lines.

The United Nations Charter sets up two kinds of trust territories. Ordinary trusteeships are placed under the supervision of the General Assembly and of the Trusteeship Council, created for that purpose. But the Charter recognized that under the general framework for the keeping of the peace some areas may be of such outstanding strategic importance as to necessitate their being designated as “strategic areas”. Trusteeship agreements for such areas must be approved by the Security Council rather than by the General Assembly. There is no difference

whatever in the basic objectives applicable to strategic and non-strategic trust territories. The basic objectives of the trusteeship system as set forth above are equally applicable to both.

The former Japanese mandated islands are of little or no economic importance. Their chief exportable products at present are copra, bauxite and handicrafts. They consist of a total land mass of only about 846 square miles and a total population of about 48,000 indigenous inhabitants.

They are of tremendous strategic value, however. It was their interlocking network of naval and air bases that in the late war prevented sending early and effective support to China except by circuitous and highly difficult routes. It is obvious, therefore, that as to these islands security considerations far outweigh social and commercial considerations.

On February 26, 1947, the United States submitted to the Security Council a trusteeship agreement for placing the Japanese mandated islands under international trusteeship.

In doing so, the United States declared:

The American people are firmly resolved that this area shall never again be used as a springboard for aggression against the United States or any other member of the United Nations.

Most of the strategically important areas of the world, including those in the Pacific, are at present under the exclusive sovereignty of various of the larger nations. The United States, however, is proposing trusteeship rather than annexation as the basis for its administration of these highly strategic islands.

In undertaking to place under trusteeship a territory of such strategic importance to the United States as these islands, the United States is expressing its faith in the United Nations.

Our purpose is to defend the security of these islands in a manner that will contribute to the building up of genuine, effective, and enforceable collective security for all members of the United Nations.

In the American press at the time there was apparent misunderstanding as to the nature of what the United States was proposing. Many seemed to think that, because the United States was proposing a strategic trusteeship and was itself to be the administering Power, in some way the welfare of the inhabitants was to be sacrificed to big guns and naval bases and that although the arrangement was in form a trusteeship our request

to be made the sole administering Power in fact amounted to virtual annexation. This was not true.

In the trusteeship agreement proposed by the United States and agreed to by the United Nations, the United States made very clear that the basic objectives of the trusteeship system were to be applicable in their entirety. It went even further. It spelled out these objectives in detailed and somewhat amplified form. Article 6 of the trusteeship agreement, for instance, provides that the United States shall

(1) foster the development of such political institutions as are suited to the trust territory and shall promote the development of the inhabitants of the trust territory toward self-government or independence as may be appropriate to the particular circumstances of the trust territory and its peoples and the freely expressed wishes of the peoples concerned, and to this end shall give to the inhabitants of the trust territory, a progressively increasing share in the administrative services in the territory; shall develop their participation in government; shall give due recognition to the customs of the inhabitants in providing a system of law for the territory; and shall take other appropriate measures toward these ends;

(2) promote the economic advancement and self-sufficiency of the inhabitants and to this end shall regulate the use of natural resources; encourage the development of fisheries, agriculture, and industries; protect the inhabitants against the loss of their lands and resources; and improve the means of transportation and communication;

(3) promote the social advancement of the inhabitants, and to this end shall protect the rights and fundamental freedoms of all elements of the population without discrimination; protect the health of the inhabitants; control the traffic in arms and ammunition, opium and other dangerous drugs, and alcohol and other spirituous beverages; and institute such other regulations as may be necessary to protect the inhabitants against social abuses; and

(4) promote the educational advancement of the inhabitants, and to this end shall take steps toward the establishment of a general system of elementary education; facilitate the vocational and cultural advancement of the population; and shall encourage qualified students to pursue higher education, including training on the professional level.

Similarly, Article 7 provides:

In discharging its obligations under Article 76 (a), of the Charter, the administering authority shall guarantee to the inhabitants of the trust territory freedom of conscience, and, subject only to the requirements of public order and security, freedom of speech, of the press, and of assembly; freedom of worship, and of religious teaching; and freedom of migration and movement.

In still other ways the United States in this strategic trusteeship area worked out a liberal program. In nonstrategic trusteeship territories the Trusteeship Council is clothed with powers to submit questionnaires to the administering authorities and consider reports submitted by them, to examine petitions, and to provide for periodic visits to the trust territories. For reasons of security the Charter gives to the Security Council in its supervision over strategic trusteeship areas no such specific powers and functions. Notwithstanding these Charter provisions, the United States, in submitting the trusteeship agreement, declared itself as willing to submit to international supervision, as provided in the agreement, the political, economic, social and educational development of the inhabitants of the territory. The United States has taken the liberal position that, except for the right to shut off specified "closed areas" for security reasons, the Pacific islands under United States trusteeship shall be subject, like nonstrategic areas, to the powers accorded to the Trusteeship Council (in Articles 87 and 88 of the Charter) to consider reports submitted by the administering authority based on questionnaires, to examine petitions and even to provide for periodic visits.

The trusteeship agreement thus presented by the United States was approved unanimously by the Security Council on April 2, 1947. It was later approved by both houses of the United States Congress, and came into force on July 18, 1947. This agreement reveals the basic pattern of American trusteeship policy in the Pacific.

The question of how the new trust territory should be administered—and by whom—was given careful consideration during the past summer. Under an Executive Order, dated July 18, 1947, the President terminated military government in the islands and placed them under the administration of the

Navy Department for an interim period until transfer to a civilian agency of the government could be arranged. The President agreed that the Department of State in the meantime should prepare for the consideration of Congress suggestions concerning organic legislation for the permanent administration of the trust territory.

As a member of the Trusteeship Council, the United States is also concerned with the supervision of three other trusteeship areas in the Pacific—Western Samoa, New Guinea, and the island of Nauru.

Western Samoa is a land beset with problems. To most people Samoa spells romance, the charm of the South Seas, long white breakers booming in over coral strands, lazy days and languid nights—the storied land of Robert Louis Stevenson. In fact, Samoa for the past hundred years, in spite of its physical charm, has been a land of struggle and unhappiness, of problems and of frustrations. In response to a petition from the leaders and people of Western Samoa asking for self-government, the Trusteeship Council sent a visiting three-man Mission to Samoa last July. The Mission was headed by an American, the President of the Trusteeship Council. Its two other members were M. Pierre Ryckmans, former Governor-General of the Belgian Congo and now Belgium's representative on the Trusteeship Council, and Dr. Cruz-Coke, a member of the Chilean Senate and at the last election a candidate for the presidency of Chile. The Mission agreed on a unanimous report. Its recommendations are liberal and progressive, based altogether on what practical measures are best calculated to promote the political, economic, social and educational advancement of the inhabitants. The Mission went on record as favoring a considerably larger measure of local self-government than that now existing, and recommended the setting up of a "Government of Western Samoa", composed of New Zealand and Samoan officials. "Even a limited degree of self-government", in the words of the Report, "involves risks which are not underestimated by the Mission. But these risks must be taken. The only way to promote education in self-government is to put political responsibility into the hands of the people to a degree where they can learn. Training in self-

government can come only through actual experiences, sometimes costly."

The Mission's Report will be laid before the Trusteeship Council at its coming session, opening next week.

The second Pacific trust territory—New Guinea—presents an altogether different problem. Some of its people are among the most primitive on earth and many of its mountain fastnesses have not even been explored. The third—the island of Nauru—has become an additional trust territory through the action taken by the General Assembly ten days ago. Nauru is a tiny island close to the equator east of New Guinea. Its total population in 1939 was some 3,500. Its importance lies in its rich phosphate deposits.

As time goes on doubtless additional territories will be added to the United Nations trusteeship system. These include territories which may be detached from enemy states as a result of the Second World War. American policy in this regard has already been made clear. On November 6, 1946 the President announced that the United States is prepared to place under trusteeship, with the United States as the administering authority, not only the former Japanese mandated islands, but also "any Japanese islands for which it assumes responsibilities as a result of the Second World War."

Before concluding, I should mention one other agency, now just in process of organization, which promises much for the welfare of the Pacific island peoples south of the equator. I refer to the projected South Pacific Commission. An agreement for the establishment of this Commission was drawn up at the South Seas Conference and signed *ad referendum* on February 6, 1947, at Canberra, by the representatives of Australia, France, the Netherlands, New Zealand, the United Kingdom and the United States. It provides that the territorial scope of this regional advisory commission shall comprise the dependent territories which lie wholly or in part south of the Equator and east from and including Netherlands New Guinea. Like the Caribbean Commission, which served in many respects as a model, the South Pacific Commission will make recommendations to the Member Governments on a wide range of economic and social matters, for the improvement of local conditions and

standards. It will make provisions for the holding of periodic conferences of representatives of the peoples in the South Pacific. It will also establish a Research Council, composed of persons highly qualified in the fields of health, economics and social conditions, devoting full time to the work.

Although the agreement for the South Pacific Commission has not yet been ratified by the United States, France or the Netherlands, it is hoped that ratification will shortly be obtained and that the agreement will come into force within the next few months. Enabling legislation was adopted unanimously by the two houses of our Congress last July, but in slightly different form. Because of pressure of work on the last day of the session, it was not possible to iron out minor differences and obtain adoption by the Congress.

These, then, are the main outlines of American trusteeship policy in the Pacific. Our American policy is becoming more and more an integrated part of the great world structure for peace. Into the building of the vast edifice, embedded in the foundations, in the strong sustaining walls and high aloft in the vaulting of the roof, has gone America's vision of human freedom and increasing welfare for the suffering, toiling masses of men and women and children. Slowly and often painfully from this vision is gradually emerging a structure of enduring strength embodying new human hopes and aspirations.

DISCUSSION: THE FAR EAST AND THE PACIFIC

CHAIRMAN GILCHRIST: We now have a few moments for questions from the floor. I would like to request those who wish to ask questions to make them as short as possible, to give their names, and to indicate to which speaker they address their questions.

MRS. WALLACE: I would like to ask Representative Mansfield to what extent the Chinese Exclusion Act has been modified. I think he mentioned that.

MR. MANSFIELD: To the extent, madam, that we allow one hundred Chinese to come in every year under the quota system which puts China, on the basis of the number of Chinese in this country, on a comparable standing with all the other countries in the world.

MR. JULIUS MELTZER (Springfield, Mass.): This question is addressed to Representative Mansfield. Admitting that the \$3,000,000,000 in money and much material and our troops in China all have failed to have any effect on the Chinese government, and that civil war continues in China, what do you think would be the result of our dealing now with Chiang Kai-shek's opposition?

MR. MANSFIELD: As far as I am concerned personally, I do not think we should deal with the opposition to Chiang Kai-shek. Chiang has been our ally during the war, and despite the inequities and the corruption in his government, I think he is looking ahead in the right direction. I hope that it will not be long before he will find somewhere the spirit, which must come from him as well as from the Chinese people, to put the government on a firm foundation and give to the Chinese people the help and assistance which they badly need. I do not think that the Chinese people will get such a system by dealing with the Communists, because there is no doubt, and there never has been any doubt in anyone's mind, as far as the Chinese Communist leaders are concerned, that they are now preparing to set up, at some time in the future, what they would like to see as a Soviet state.

MR. M. JAFFE: I do not particularly care whether Mr. Mansfield or Professor Orchard answers this question. They both discussed the fact that we are withholding aid from China. I would like to have

them deal with the possibility that the only reason we have withheld aid is that Mr. Marshall, as a military man rather than as Secretary of State, feels it is not feasible to support a military régime such as Chiang Kai-shek's régime.

MR. ORCHARD: I do not know that I can answer that. That is a military question. I am sure I do not know what is in General Marshall's mind on that point.

MR. MANSFIELD: The question is involved. I think that General Marshall is a real friend of the Chinese people, but he is also the American Secretary of State, and he has to consider in an over-all manner just what we have in the way of resources and just how those resources can be used to implement our foreign policy. When he left China last January, he issued a personal statement which in my opinion was the best, the most honest and the most candid statement to come out of China. He told the American people and the Chinese people the truth. What he said in effect was this: "A plague on both your houses." He was responsible in large part for keeping the hope alive, until last June 30, the end of the last fiscal year, that if some sort of sound economic reform could be effected in China, this government was holding \$500,000,000 in the Export-Import Bank which it would loan to China. Now the Export-Import Bank does not loan money, except very, very rarely, in matters of politics. It is a business organization. It has done a very good job, and if it were to loan that large a sum of money, it would, of course, want to have some assurances that in return the money would be put to good use. We would want to be sure that it would help in the general rehabilitation of China itself.

DR. LOUISE B. HILL (Teaneck, N. J.): One of the speakers just now remarked that the opposition in China encouraged the establishment of communism. Why not? A country, it seems to me, ought to be allowed to establish communism or feudalism or even capitalism, if it wants to. Self-determination does seem to be a bit passé now, but I want to ask — in view of the fact that the United States is supporting the status quo everywhere — how are the progressive forces to make themselves effective?

CHAIRMAN GILCHRIST: The question seems to be addressed to Representative Mansfield. Perhaps he would like to add a word on that.

MR. MANSFIELD: My personal belief is that the political base in China should be broadened to bring in some of the people who belong neither to the Communist few on the Left nor to the reactionary few on the Right. I think the main thing to consider is the welfare of the great majority of the people in China. If you will go back over the history of China — and it goes back to about 3500 B. C. — you will find that, beginning in the villages and going up to the counties and the provinces, there has always been what the Chinese call a chain of responsibility. It used to be that this responsibility, through various subdivisions, finally culminated in the son of heaven, the emperor. If for any reason the chiefs in these divisions, or the head of the state himself, felt that he had been derelict in his duty toward the Chinese, then he took the blame upon himself and either committed suicide, gave up what power he had, or in some way was punished. That was voluntary.

The fact that these people are the inheritors of a great civilization, a civilization that was flowering while most of our ancestors were roaming the forests in the different parts of the Old World, seems to me to make it logical to suppose that these people have within themselves the ability to maintain a real democracy, if they are given the chance. They will not get that chance from the Communists; they will not get that chance from the so-called CC clique, the reactionary element in the Kuomintang; they will not get that chance under a one-party dictatorship. You have got to take in all groups and give China the opportunity to develop herself. We cannot reform China. We should not even attempt it, because everything that is going to be of any consequence in the creation of a strong, united, democratic China has to come basically from the Chinese people themselves.

MR. HARRISON PARKER: I would like to ask Representative Mansfield if, following that argument along, the \$300,000,000 credit which is being proposed will not encourage the CC clique to continue its attempt to dominate the Kuomintang policies.

MR. MANSFIELD: I think that your assumption is fairly correct. There is no doubt that the CC group has been planning on getting some sort of assistance some way from America. They have expected to get it, and evidently they are going to get it in spite of the castigation they received at the hands of Secretary Marshall earlier this year. I am afraid also that, in contrast to the Marshall Plan for Europe, which presents a very immediate challenge, there have been no

conferences between this country and the Chinese concerning the possible extensions of grants of aid to China for the rehabilitation of the Chinese economy and for the purpose of putting the Chinese nation, from an economic point of view, on a fairly solid foundation. I am afraid — without knowing all the facts but being somewhat versed in politics American style — that it may be because of pressures, because of statements made by various senators, congressmen, because of the attitude by various publications, because of the fear that the question would be raised as to why, if we are going to aid western Europe, we do not aid China, that the State Department threw this in and presented it in an effort to ward off opposition to their plan to bring immediate assistance to western Europe where, in my opinion at least, help is needed most at the present time.

CHAIRMAN GILCHRIST: May I take an opportunity to ask a question myself, in reference to the remarks made by Mr. Sayre concerning the South Pacific Commission. It has been suggested that perhaps similar coördination and coöperation might be built up in a part of the area which we are discussing this morning but to which no particular attention has been paid. I am thinking of the Southwest Pacific area, including Indo-China and Indonesia. I wonder if Mr. Sayre or Professor Orchard wishes to comment on that point.

MR. SAYRE: I am not sure that I can answer that in a word. Of course, this South Pacific Commission as proposed, and also the Caribbean Commission on which it was modeled, is based on the conception that you have sovereign governments established and administering non-self-governing territories in certain parts of the world. In the Caribbean that is certainly true. This proposed South Pacific Commission is made up of representatives of the sovereign governments administering territories there. If you turn your thoughts to the areas suggested — Indonesia, Indo-China, and so forth — the conditions are so unsettled, the questions of sovereignty are still in such a state of flux, that it would be very difficult as a practical matter — and I am looking at this simply as a practical matter — to set up a commission to do the kind of job there that is being done in the Caribbean, and which will be done in the South Pacific. I think it would be a little premature until we have more settled political conditions. Eventually, I hope very much that that can come about.

CHAIRMAN GILCHRIST: We have time, I think, for one more question from the floor.

MISS DOROTHY DILLON (Rutgers University): I should like to address two questions to Mr. Crossman. In view of the fact that you suggest the emigration of people from the central islands of the Philippines to Mindanao to solve the land problem, and also in view of the fact that the Moros are concentrated in the southern part, would that really offer the solution?

Secondly, would it be constitutionally possible for the Filipinos to rescind the parity amendment to their constitution, and if that could happen, what might be the repercussions in the United States Congress?

MR. CROSSMAN: In answer to the first question, I do not think the places where the Christian Filipinos would go in Mindanao would do much to enhance the Moro problem. The present development is in the Koronadal valley in the south central part of Mindanao. To be sure, it is not far from Cotabato and there may be some accentuation of the difficulties, but I think that should proceed without any attempt to find a final solution to the Moro problem. I think the real solution to the Moro problem is education of the Moros, and that has gone a long way since the time when the United States compelled disarmament by force. Whether it has gone far enough to solve the thing completely, I have my doubts. There is still danger there.

The other question was whether it is possible for the Filipinos to rescind the parity amendment to their constitution. Yes, they could do that. It was an amendment to the Filipino constitution adopted by the Filipinos and could be rescinded by them under their constitutional processes. If that were done, then there would be a material breach of the executive agreement under the Trade Act which might result in the loss of free-trade privileges and increasing duties on Philippine products coming into the United States.

CHAIRMAN GILCHRIST: I am sure I speak for the entire audience in thanking our five speakers for the important contribution they have made this morning to our understanding of America's new foreign policy in the Far East and the Pacific.

[Because of lack of space, this discussion is presented
in abbreviated form.]

PART II

EUROPE AND THE MIDDLE EAST

INTRODUCTION *

SHEPARD MORGAN, *Presiding*

Vice-President, Chase National Bank of the City of New York
Trustee of the Academy of Political Science

THE general topic for discussion at this Sixty-Seventh Annual Meeting of the Academy is "America's New Foreign Policy". This morning consideration was given to the Far East and the Pacific. This afternoon our speakers will focus our thoughts on Europe and the Middle East.

The world-wide range of these papers is evidence enough that there are new factors in America's foreign policy. To attempt a definition of what constitutes American foreign policy at this stage would carry one far beyond my function at this meeting. But I would emphasize one point, that foreign policy is always in process of development, because it is an essential part of our living national organism. It will go on developing as long as the nation lives. It will change its direction only when the nation fails to respond to its obligations, and those obligations apply not only to our own citizens, but to nations that are our neighbors.

I take it that there we have the clue to the new factor in America's foreign policy. For one reason or another the obligations of the American people have vastly increased, even in the short span of our own lifetime. The period is not so remote, as we look back upon it, when our foreign policy was concentrated mainly on the preservation of our limited interests as a small but growing and vigorous nation. One may say indeed that only with the First World War did other nations come to regard us a great Power, a designation which for all our native boastfulness we were diffident to admit and slow to

* Opening remarks at the Second Session of the Annual Meeting.

accept. We wished to avoid the responsibilities which our new position as one of the great Powers placed upon us. Our inclination was to stand aside and go about our own business. What we appeared to desire—and what many of our people still desire in their hearts—was to be left alone so that we might work out our destiny to suit ourselves.

The Second World War has changed all that. We have suddenly discovered that our neighbors, not in a geographical sense but in the real sense of common interest and common aspirations, are widely spread throughout the world. This is due not alone to the overwhelming victory in which our Army, Navy and Air Force played so great a part, nor to the advance of all forms of communication which has so greatly shrunk the planet, but in great measure to the productive power of our social and economic organization, for that is basic to all else.

With power comes responsibility. The United States emerged from the Second World War as the most powerful nation in the world. I am not speaking of our military power alone, or even of our incomparable productive capacity. I would add another factor, our faith in the rights and dignity of the individual man. Our responsibility toward other nations is commensurate with our power. That is the essential fact in America's New Foreign Policy. To develop the wide range of it would take me into the fields set apart for other speakers and I must not attempt to forecast what they will say. I wish merely to add this, that Secretary Marshall's speech at Harvard last June was the clear recognition of our national responsibility toward western Europe, a responsibility which springs from our national power. Only the day before yesterday did his proposals made in June become a plan. For that reason our speakers may not be able to discuss it in detail but I hope you will have it in mind as they develop their own lines of thought on the principles underlying it.

The next speaker was to have been Edward Mason, Dean of the Graduate School of Public Administration at Harvard. It is too bad that Professor Mason cannot be here. Those of you who have attended these meetings have unquestionably seen Ed Mason here. He is a good speaker; and he would have delivered his paper far better than I can, who have to take on his task. I shall now read the paper of Edward S. Mason.

THE NEW APPROACH TO THE UNITED STATES ROLE IN EUROPEAN ECONOMIC STABILIZATION

EDWARD S. MASON

Dean, Graduate School of Public Administration, Harvard University

THE character and magnitude of American interests in European economic stabilization quite obviously cannot be discussed without reference to our policy toward Russia. But the relevance of the current foreign aid program to our Russian policy needs to be carefully stated and explicitly understood.

To date we have attempted through negotiations with Russia to work out the basis of a stable post-war world. We have negotiated in the United Nations, in the Council of Foreign Ministers, in the Allied Control Councils in Berlin and Vienna, in the Far Eastern Commission, in Korea and elsewhere. To say that these negotiations have been notably unsuccessful belongs in the Department of Understatement.

It is highly important, nevertheless, to diagnose correctly the reasons for this failure. Some say that our failure springs from the fact that Russia is obviously bent on world conquest. Others say that Russian actions to date can all be explained by her preoccupation with security. The Soviet Union, according to this explanation, is suffering from an acute case of encirclement psychosis. As far as American policy is concerned, both of these explanations add up to approximately the same thing. An acute preoccupation with defensive action can easily lead to action which is offensive in both senses of the word.

Both of these explanations are, however, in my opinion wrong, or, if not wrong, they are at least customarily stated in a manner that throws little light on appropriate American action. Our policy of negotiation has failed to date for altogether different reasons.

Whatever else the Russians lack—or for that matter anyone else trained in the Marxian school—they do not lack a sense of history. In fact they have, ready-made, a “scientific” interpretation of history which is equipped not only to explain the past but to predict the future. This interpretation of history tells them that time is working on their side. And if time is working on their side, why should they yield in negotiation today that which the inevitable course of events will bring them tomorrow?

What has happened in Europe, moreover, in the two and a half years since the end of the war against Germany, lends a certain credence to this view. The Soviet Union has made substantial progress in binding the former German satellite countries plus Poland and Czechoslovakia to the communist axis. Although economic recovery in this area has not been notable and although the recovery that has occurred has redounded largely to Russian benefit, this has not prevented the establishment of strong Russian-dominated governments. In western Europe, communist penetration to date has been less successful. But, if economic recovery in the West, which, at least in the area of industrial output, has been substantial, is now checked, political instability, so obvious in France and Italy, is bound to increase.

Looking beyond the borders of Europe one also must take into account the fact that the depression in the United States still remains an immanent possibility in the Russian short-run forecast. And, over a longer period, Marxian ideology, of course, foresees a disintegration of capitalism everywhere. As long as events, in Europe or the world, appear to bear out this vision of the immediate future we may expect to get nowhere in negotiations with the Soviet Union on matters that seriously concern the shape of the post-war world.

Under these circumstances the only effective line of action open to us is to attempt, ourselves, to influence the course of events. To me this is the primary significance of the new approach in American foreign policy. If the Marshall program is successful and the participating countries are firmly established on the road to recovery, we may reasonably expect to see

the increasing stability and strength of democratic governments not only in Europe but elsewhere in the world. If and when this happens, we may also reasonably expect to see a change in the Soviet forecast with a consequent improvement in the prospect of achieving agreement through the process of negotiation.

After all, this would not be the first time that Soviet truculence based on a faulty forecast has given way to sweet reasonableness once the falseness of the forecast had been demonstrated by the course of events. After World War I the leaders of the Russian Revolution expected revolution elsewhere in the capitalist world. Indeed, since it was widely held that the success of communism in Russia depended upon the success of world revolution, the Communists in Germany, Hungary and other countries were urged by their Soviet brethren to try out the formula. When the formula conspicuously failed, Soviet foreign policy changed 180 degrees. It was decided that communism could be made to succeed in one country after all.

If and when the short-run prospects for communist development west of the "iron curtain" hang fire and falter, the chances of a satisfactory European settlement will improve. There is then no incompatibility between the Marshall program and the continued attempt to reach agreement with the Russians through negotiation. In fact quite the reverse is true. Our best chance of reaching satisfactory agreement is through the success of the foreign aid program.

It is for this reason that to characterize the Marshall program as anti-Russian or as an attempt to by-pass the United Nations is particularly absurd. The United Nations will never be able to function as intended until the United States and the Soviet Union have settled by negotiation certain outstanding issues of which the most important are the international control of atomic weapons and the kind of peace settlement to be imposed on Germany. We shall never be able to settle these issues in a manner at all satisfactory to the United States so long as the Soviet Union foresees a course of events which, for her, makes negotiation unnecessary.

To embark wholeheartedly on the foreign aid program does not mean then that we should cease to negotiate with the Soviet

Union. Nor, I think, need we expect that the Soviet Union will break off negotiations unless and until it is sure that the course of events is moving so inexorably in their favor that further negotiation is unnecessary.

If the primary objective of our economic policy in Europe is to bring about a situation in which it will be possible to reach agreement with Russia on the main lines of a peaceful post-war settlement—and I believe this is a fair statement of the objective—it has certain implications, both domestic and foreign, concerning the way the program is conducted.

If we hope and expect later to be able to reach agreement with the Soviet Union, we will not attempt to convert the Marshall Plan into an anti-Russian program. We will not ask the European countries to take sides for the inevitable war between East and West. We will not undertake measures which amount to the prosecution of economic warfare against Russia. Rather will we attempt to encourage so far as possible the exchange of goods between western and eastern Europe. In Germany, while taking the steps necessary to the economic recovery of the western zones, we will not close the door to the unification of Germany. We will not bestow approval on western European political parties and governments in proportion to the intensity and volume of their anti-Russian propaganda.

What we *will* do, if the foreign aid program is regarded as a necessary step toward a reasonable settlement among the great Powers, is to focus attention upon the *economic* problem of recovery in western Europe. We have the right and the duty to insist on such measures of coöperation from European countries as are clearly necessary to the promotion of economic recovery within the framework of established institutions. We have no right—nor will we be able—to impose conditions affecting the structure or functioning of political and economic institutions in the participating countries.

The domestic implications of the foreign aid program are equally important. If the program is merely a campaign in a so-called "cold war" against Russia, the domestic implications are of one sort; if, on the other hand—and as I believe—the promotion of recovery in Europe will lend aid and assistance to our

attempts to negotiate with Russia, they are of quite a different sort. The hysterical overtones of some of the writing on Russia in certain sections of the American press certainly suggest the first interpretation of the program. Both this and the overzealous search for Communist sympathizers in Washington and elsewhere may be condoned, however, if the European aid program is to be regarded as a lining up of allies for the inevitable struggle. They are hardly to be condoned on any other interpretation.

If the foreign aid program is an attempt to promote European recovery in order to establish the basis for an equitable peace settlement, neither hysteria nor the loss of our civil liberties is called for.

Turning now to the character of the United States program in western Europe, it must be recognized that, if the course of events is to run contrary to the Soviet prognosis, what is called for is not merely relief but the laying of a solid foundation for economic recovery. Congress has proclaimed the end of "Operation Rathole". If the Marshall program is to accomplish its purpose, assistance from the United States henceforth must be justified primarily in terms of its contribution to economic recovery. And American assistance, if it is to be effective, must be rendered within an adequate framework of self-help by the European countries and of mutual assistance among these countries.

This is recognized in the Paris report of the sixteen countries, which in its statement of principles and in its conception of the problem is an excellent document. When one turns from general principles to the detailed statement of requirements the report, it is true, is something less than adequate. No one who has any inkling of the difficulties of negotiating among sixteen countries a schedule of estimated production, exports and import requirements, projected four years into the future, could have expected otherwise.

There is little doubt that a number of stated requirements will have to be scaled down either because of lack of availabilities in the United States or because of overambitious planning of the rate of industrial development and mechanization in Europe.

But it is well to recognize that in other respects the Paris report probably understates European requirements. The estimates of needed imports are frequently based on overoptimistic expectations of rates of local production. This seems particularly true in the case of coal and is probably true for a number of other industrial areas. When one type of error is set off against the other it seems doubtful whether the Paris report represents a serious overstatement of probable European requirements. Recognizing fully the difficulties of such a forecast it would still be my opinion that the order of magnitude of European requirements stated in the report is roughly what will be required to set western Europe on its feet again.

While it is important to keep this order of magnitude in mind, it has little to do with the immediate problem. Congressional appropriations will no doubt be made on the customary yearly basis and there will be opportunity to review the operations of the program at a number of stages. What must be emphasized, however, is that unless appropriations for year one are made with the program for years two, three and four in mind—unless, in other words, it is recognized that all parts of the program are interrelated and focused on a definite recovery objective—there is nothing to prevent this becoming another “Operation Rathole”.

Congress has served notice that it is through with emergency appropriations and stop-gap aid. Is Congress ready to recognize the implications of an integrated foreign aid program carried through consistently to its final objectives? The answer to that question will be given not only in the halls of Congress but in the debate on foreign policy which should, and probably will, over the next few months, be carried to every village and hamlet in the United States.

Let us not expect too much from this program in the way of popular approbation abroad. Even if all the European requirements stated in the Paris report were supplied without question by the United States, I doubt whether we should be regarded as a generous big brother. The figure of Lady Bountiful is not an endearing one in literature. And when the position of Lady Bountiful is taken by a country which has half the world's

industrial output and enjoys a standard of living unmatched elsewhere, it is too much to expect that she will be voted the most popular member of the class. The one most likely to succeed, perhaps, but not the most popular.

European requirements, in fact, will not be supplied without question. And we shall find it necessary, if European recovery is to be effectively promoted, to lay down conditions which will be felt to be extremely onerous. Recriminations on both sides will, therefore, be inevitable. If our objectives are attained, however, and western Europe once more stands on its own feet with governments both democratic and stable, that will be enough. We should not ask for more.

REMARKS

CHAIRMAN MORGAN: I think that Professor Mason's paper was admirable, and I wish he were here so that I could say so to him.

We have just heard by second hand from Harvard. We now hear at first hand from Yale. Dr. Fox is at present the Research Associate in the Institute of International Studies and also Associate Professor of Political Science at Yale University. He has one other distinction which is shared by an élite group of scholars and statesmen. He has been described as a warmonger by Mr. Vishinski. Dr. Fox!

AMERICAN FOREIGN POLICY AND THE WESTERN EUROPEAN RIMLAND

WILLIAM T. R. FOX
Yale University

IN the spring of 1940 Americans had not yet begun to use words like "Western European Rimland". The Congress of the United States had come within a single vote of abolishing peacetime selective service. Four million Frenchmen, more or less, were sitting idly behind the massive fortifications of the Maginot Line engaged in what Americans were pleased to call a *Sitzkrieg*.

May and June 1940 ended talk of *Sitzkrieg* and "phoney war". With France overrun and Britain apparently about to be invaded, western Europe suddenly felt uncomfortably close. The reaction of the American people was curious and naïve beyond belief. For five long months the quadrennial drama of a presidential election ran its protracted course as if the war in Europe did not exist and the Battle of Britain was taking place on the planet Mars. The calculated ambiguity of the foreign policy planks in both the Republican and Democratic party platforms of that year was the free world's misfortune and almost its undoing.

The fall of France had, however, its effect. Isolationism in its crudest form had become patently silly. The isolationists were on the defensive, and they retreated; but they did not retreat very far. Their new slogan was "hemisphere defense". If the United States could no longer live alone, they said, at least the New World could. Here was a doctrine on which isolationists and escapists could agree. It was a doctrine which permitted the America Firsters and the Colonel McCormicks, as well as the Russia Firsters and the Earl Browders, to continue shouting that "the Yanks are not coming." The year 1947, by the way, finds the *Chicago Tribune* back where it was in 1940—on the same side of the fence as the *Daily Worker* in the matter of aid to western Europe.

Europe is separated from North America by three thousand miles of well-traveled ocean. South America is farther away and is joined to North America only by impenetrable jungle. The enemy was in Europe. Yet men of good will who felt that something must be done and yet could not steel themselves to advocate the thing which needed to be done, to help Hitler's foes by any and all means available, suddenly developed an interest in Latin America.

Classes in Latin-American history and in the Spanish and Portuguese languages doubled and tripled during these years in which the fate of Western civilization was being decided in Europe. Women's club lecturers who were able to deliver any sort of connected discourse on Latin America were in great demand. It was high time that we in the United States discovered our good neighbors to the south. But it was perhaps unfortunate that so many of us discovered these good neighbors only when we were busy running away from a fire in Europe at a time when more hands were needed to man the bucket brigade than were currently available.

It was in an attempt to cope with this crisis in human affairs that American publicists began to spell out in detail the American interest in what the author of the lecture title assigned to me today calls the Western European Rimland. American students of international politics only then became space-conscious. In the United States the word "geopolitics" was just coming into use. But its users were not sure whether they were describing Hitler-Haushofer word magic or some hitherto neglected branch of the political science of international relations in the application of which the Axis enemy had a tremendous head-start.

Certainly German geopolitics was both. The god of Space was enthroned beside the god of Race. But geopolitics was more than a form of pagan idolatry; it was also a method of analysis.

German students of international politics were using language which focused on space relationships. They talked of "the island powers", "the Heartland", "the World Island", "Lebensraum", and so forth. This exotic language was ritualistic mumbo-jumbo. Repeated often enough, it became a soporific which stilled the voice of conscience in any German who might otherwise have been moved to protest against the mon-

strous course of Axis conquest. But in spite of all this the language of space relationships was better suited to provide answers to difficult questions of American foreign policy than much of the language then current in American political discussion. American political scientists had persisted in the period between the two wars in using language which concealed space relationships. They talked about "sanctions", "the identification of the aggressor", "the regulation of armaments", "world opinion", "compulsory jurisdiction before the Permanent Court of International Justice" and "the problem of peaceful change".

When France fell in 1940 and a threat was posed to American security more ominous than any since the founding of the Republic, it was time to introduce space language. The late Professor Nicholas John Spykman of Yale was a leader in this. He was among those most influential in puncturing the balloon of hemispheric defense. His name is particularly associated with the Rimland concept. The basic doctrine in his *America's Strategy in World Politics* may be summarized briefly: If any Power were to dominate the whole of the Old World, it would soon be in a position to dominate the New World. The United States can therefore find no security in perfecting inter-American defense arrangements so long as there is any prospect that an Old World aggressor might become the undisputed master of Europe and Asia.

The United States is the richest and industrially the most powerful single nation in the world. But its industrial power and productive capacity are by no means so great that it can become indifferent to the question of who controls the area between the Elbe and the Atlantic; for this Rimland area itself contains one of the world's great concentrations of productive capacity.

It would have been a very serious thing for the United States if in 1941 and 1942 Europe had become united under Adolf Hitler. It would be a serious thing today if it were united under some new world conqueror. We could not be indifferent to the fate of Britain and the other Western democracies then and we cannot be now.

There are today opponents of the Marshall Plan for Europe, but no voice is heard which suggests that what we need instead

is a new Pan-American W.P.A. The doctrine of American interest in western Europe, which Professor Spykman expressed in geopolitical terms as the American interest in not permitting a land-based world conqueror to gain control over the Rimland areas of Eurasia, was certainly not a novel one in 1942. It was the virtue of geopolitical vocabulary that it permitted a statement of this basic American interest in terms so easily grasped that it gave unity of purpose to American mobilization for defeat of the Axis.

Hamilton, Jay and Madison fully understood that American security lay in no one sovereign's gaining the upper hand in Europe. The young Republic might in the nineteenth century properly have been described as a non-dues-paying member of the European security system. At least since the Treaty of Utrecht in 1713, a treaty whose chief provisions had been justified in the name of preserving "the security and liberties of Europe", there had been explicit recognition of a primitive system of collective security in Europe. It preserved the independence of the states of Europe, and of the United States too, by forming grand alliances against any state which grew too powerful and gave evidence of wishing to grow still more powerful.

If the United States paid no regular dues to support the security system of the nineteenth century, it has been unable to escape a series of special assessments in the twentieth. By avoiding giving any prior commitments to help put down a great aggressor, the United States escaped being drawn immediately into the conflicts which centered on the programs of imperial expansion of Hohenzollern and Hitler. The United States in neither of these cases, however, was able to prevent itself from being drawn into the European war.

The isolatedness of the United States is just a myth; but the doctrine of isolationism is not. Isolationism has made it impossible for peacetime America to make clear to itself or to the world its interest in a free Europe. It has prevented a prospective aggressor in Europe from calculating correctly whether American aid to the victim of aggression would come in time to prevent the aggressor from garnering the fruits of his aggression. At great cost in lives and material resources this country has taught the aggressor that his political arithmetic was wrong in both the world wars of this century. We are now looking for a more economical kind of pedagogy.

If the interest of the United States were in dominating the world, it would want to establish control over the Western European Rimland for the same reason that any other would-be world conqueror would seek first to destroy the independence of western Europe. It is the area which in the hands of any outside Power of the first rank would put that Power in a position to threaten the liberties of the rest of the world.

The American interest is not, however, in domination. It is in preserving the "security and liberties of the world", now that the European state system has spread to encompass the world, and the United States is its most affluent member. It is in preventing any Power from being in a position to dominate. More important, because more crucial for determination of current policy, our interest is in discouraging any existing great Power from making the attempt to dominate. The United States interest is not merely in avoiding defeat. It is also in avoiding the necessity for again spending blood and taxes to demonstrate that it cannot be defeated.

The cornerstone of its policy must be a defense establishment adequate to enable the United States to meet its responsibilities under the Charter of the United Nations. It is through its ratification of the Charter that the United States served notice on the world that it was prepared to come to the aid of victims of aggression. Had the system of precise military agreements between each member state and the Security Council envisioned in Article 43 of the Charter been completed, the states of western Europe would now know what aid they could count on. It may soon be appropriate, as Walter Lippmann and Hamilton Fish Armstrong among others have already suggested, in order that American intentions be made crystal clear, that a series of bilateral agreements in collective self-defense be negotiated under Article 51 of the Charter. This article specifically reserves the right of member states to take action in "individual or collective self-defense if an armed attack occurs against a Member of the United Nations, until the Security Council has taken the measures necessary to maintain international peace and security." Such agreements would advertise to the world American determination to move promptly. If any form of diplomatic action is to deter a prospective aggressor in western Europe, this will do it.

The United States has no need to build up a set of satellite relationships in western Europe. It has in fact an interest in not building up such a set of satellite relationships. President Truman made this clear in his October 24 radio address to the American people explaining his call for a special session of Congress to meet during this coming week. He said:

We are following a definite and clear foreign policy. That policy has been, is now, and shall be to assist free men and free nations to recover from the devastation of war, to stand on their own feet, to help one another, and to contribute their full share to a stable and lasting peace. We follow that policy for the purpose of securing the peace and well-being of the world. It is nonsense to say that we seek dominance over any other nation.

A system of European states genuinely free and independent, able and anxious to assume a substantial burden in maintaining general European security, would meet American security requirements. By permitting some of the heavy burden of enforcement of security which now rests on American shoulders to be transferred to the peoples of Europe, the United States will gain security "with the least diversion of the world's human and economic resources." It cannot be too strongly emphasized that American aid for the recovery of Europe is based upon considerations of enlightened selfishness.

It is a policy which is in the best American tradition of humanitarian aid to disaster-ridden areas, but the United States would be losing a good deal more than its reputation for Christian charity if it abandons western Europe to its own devices in its present politico-economic crisis.

The day is perhaps past when Communists can expect through free elections to ride to power in any country not now dominated by the Communist bloc within its government. But they can for a very long time to come keep the political life of western European democracies in a state of continuous turmoil unless a way can be found to speed the economic recovery of the area and a revival of confidence in the capacity of a constitutional democratic system to produce stable and effective governments.

Too little aid given in homeopathic doses to a patient kept in constant doubt as to whether the doctor is much interested in his ultimate recovery may sap a patient's will to live. He may even be tempted to change doctors if he is told before being

given each dose that the doctor must be satisfied that his personal life has been blameless since the administration of the last dose.

Now it may in fact be true that the sick countries of western Europe have no other physician to turn to, but there are political elements in each of these countries who believe that there are alternatives. The Communists will think so whatever the form of American aid, but there are elements in other parties who are prepared to think so too if political aid is extended under conditions which they regard as humiliating.

It was irresponsible and incorrect for Molotov and the Soviet leadership to say that the aid to western Europe envisioned in the Marshall Plan is aimed at the Soviet Union. It is unfortunate if Molotov's statement is repeated on this side of the Atlantic as a reason for supporting the Marshall Plan. To speak thus is to give substance to the Soviet charge that the United States is waging cold war upon it. The Marshall Plan is no more aimed at the Soviet Union than is the United Nations. Both are designed to help free states help themselves, so that aggression will not look tempting to any government. The Marshall Plan may fairly be described as the particular expression in regard to western Europe of the general interest which the United States seeks to serve by active participation in the United Nations.

To those who argue, in imitation of Hilaire Belloc, that

"Whatever happens we have got
The atom bomb and they have not,"

a few words may now be addressed. The instruments of violence are trumps in the game of international politics, and among these trumps the atomic bomb is the ace. If played, it will take a trick, but it takes more than one trick to win the game. And there are many tricks, at least early in the game, which it cannot take at all. The United States has bid high. It has bid for world peace and world security. With only the atomic ace, the United States could never make its contract. It could only have the meager assurance that against it the other side would never make a grand slam.

It may or may not be true that in a Third World War western Europe would soon be overrun and that war would then be fought with guided missiles and long-range bombers. With its

present atomic monopoly, it may be paradoxically true that the United States has now more than enough power to win in a Third World War but not enough to maintain its diplomatic position except by war.

Let us assume that the United States would win if war comes. It may fairly be asked what problems victory in such a war would solve. The stakes of peace have never been so enormous as in this fifth decade of the twentieth century. But none of the stakes of peace are likely to lie within the reach of the American people unless western Europe is first made self-supporting, economically and politically. Only then will the size of the American security commitment in Europe be reduced to manageable proportions. Only then will the "security and liberties of Europe" be guaranteed and a real sense of security restored to the peoples of the United States, the Soviet Union and the Rimland which lies between them.

REMARKS BY THE CHAIRMAN

CHAIRMAN MORGAN: Dr. Fox, I think that spontaneous applause properly registers the appreciation of this audience for your stimulating and witty paper.

About a year ago, General Clay in Germany cast about for some advice in carrying out one of the most difficult tasks with which any army commander has ever been charged. He invited an American business man of first rank to come over and look into his shop and then make a report. The American business man said, "All right, if you will permit me to send a couple of fellows over there first and look around as my agents, and of course I will come over myself. When we have finished, then I want to have complete liberty to say what I choose, to give a complete record to the American people or to anybody else who is willing to listen."

Well, Lewis Brown, Chairman of the Board of Johns-Manville, was the American business man invited, and I assure you that his report, which has now been published in book form and which, in shorter compass, he has given personally to a large number of audiences in the United States, is a most refreshing document. Mr. Brown has gone in where angels heretofore have feared to tread. He has come out with common-sense decisions. I am glad he is going to tell us about them himself.

AMERICAN ECONOMIC POLICY RELATING TO GERMANY AND WESTERN EUROPE

LEWIS H. BROWN

Chairman of the Board, Johns-Manville Corporation

MANY Americans are beginning to realize that the political and economic stabilization of the world is dependent on western Europe's recovery. They are becoming aware of the fact that there can be no western European recovery without Germany's recovery. And they understand that the United States is the only country that can help to start western Europe on the road to recovery.

The question, therefore, is not whether we are willing to assist western Europe. Rather it boils down to the amount of assistance we can afford, what form our assistance will take, and how it will be controlled and administered. These are all very controversial questions. They are now being discussed before the public. In the weeks and months ahead they will be debated thoroughly. In my opinion this debate will probably go down in history as one of the greatest debates of our times.

No doubt there is room for many differences of opinion on this subject. That is why we must debate it until we understand clearly the alternatives. Then, I think, Congress must develop a plan with the utmost promptness. We should not delude ourselves. There is no time for delay. The decision must be made in the next two or three months.

How quickly and realistically we act will determine whether or not we will halt the westward march of communism to the English channel.

Since my return from Europe I have had the opportunity of addressing business men on this subject in New York, Philadelphia, Indianapolis, Hartford, St. Louis, Minneapolis, Atlantic City and St. Paul. I have also discussed it with many of our Congressmen. My confidential report to General Clay was released to the press last month. The book version of my report also was published late last month. As a result of this

rather wide coverage, you may be familiar with some of the recommendations I have made on this question of European recovery. Later on I shall briefly touch upon them. But first I want to develop a few of my thoughts in the light of events that have occurred since I returned from Europe last summer.

The necessity for helping Europe should be clear to the American public. It amounts to this:

We must prevent or win World War III.

Of all the nations in the world the United States is the only one in a position to give western Europe the assistance required to start her on the road to recovery.

For the most part, our assistance will be in the form of food, supplies and loans.

In recent weeks several reports have been published indicating how much food we are in a position to guarantee the sixteen European nations under the Marshall self-help plan. I do not think that we are in a position to guarantee positively the availability of food for very many months ahead. Weather is an unpredictable but decisive factor. We had an example of that this year. Drought and a severe winter almost ruined crops in western Europe. Our own grain harvests were not as abundant because of the poor corn crop. As a result western Europe needs more food from us at a time when we have less to spare.

Obviously, during the next five years the weather will play an enormously important part in any determination of the amount of food that will be available for export from the United States and the amount that will be required by Europe. The amount of food guaranteed and the period of time covering the guarantee should be determined with this factor in mind.

If we are to help Europe recover and if we are to benefit from that recovery, our assistance should be well planned on a realistic, business basis.

Many of the American people are tired of pouring money, food and goods into Europe. They are tired of paying higher taxes and higher prices because of European relief. They believe, and with considerable justification, that much of our assistance has gone down the drain. It has not brought about recovery. It is only natural, therefore, that the American people are anxious to put an end to the American dole for Europe.

In my report to General Clay last summer, I mentioned these facts. Nevertheless, I strongly urged that America help Europe to help herself. I suggested a minimum of outright gifts and a maximum of repayable loans. I recommended no assistance that is not counterbalanced by increased productivity in some vital sector of western Europe. I recommended that our help be mainly used to break the vicious cycle which in Europe multiplies shortages.

In addition to forestalling the spread of communism, there is another very practical and selfish reason for helping to bring about the recovery of western Europe. A restored Europe will buy far more American goods than is now possible and will help to prevent a depression and unemployment in the United States.

We must be realistic, however. We must look upon some of our assistance to Europe as a purely political investment. It is the type of investment that cannot be repaid in goods but will be repaid in the feeling of security that we will possess if western Europe remains democratic and escapes the waiting arms of communist Russia. The American people must clearly recognize that there will be such emergency types of aid which will not be repaid; but much of our assistance should be considered a business investment that can be repaid if we make it possible for Europe to repay us.

Now, how can we get paid for the goods we export to Europe under the Marshall self-help plan? There are several ways. We can allow imports into the United States amounting to ten per cent of the total volume of production of each American industry. We can reduce the tariff on goods which Europe can produce better than we, provided American industries are not greatly harmed. We can import raw materials from European colonial possessions. We can encourage increased tourist traffic to Europe. We can take payment in ownership of European industry. For instance, American private investors could buy stock in, or bonds of, European industries. The dollars obtained from these investors would be returned to our government in payment of loans. It is necessary to keep in mind, however, that our investors themselves can get their dollars back only under two conditions: (1) if European industries are operated efficiently so as to produce dividends and interest in European currencies, and (2) if we buy enough from

Europe in goods and services to make possible the transfer of European currencies into dollars.

There is the possibility that Europeans may not like to have their industries fall into American hands and we may be accused of resorting to dollar diplomacy. The answer is that, in this matter, we are referring not to political investments but strictly business investments that will benefit Europe even more than our investors by increasing her capital assets and therefore her capacity to produce and raise her living standards. In the final analysis the American people, through Congress, may have to decide upon one or a combination of ways to pay for the goods needed by Europe to start her on the road to recovery.

The costs of internal government in the United States should be reduced. The total cost of federal, state and local government in the United States is over \$40 billion. A vigorous reduction of government expenses internally might well provide a large portion of the means with which to meet the requirements for preserving Western civilization. For example, no really effective results have been obtained as yet in the reduction of the number of people on the public payroll. According to latest official figures, there are now—two years after the war—5,281,000 governmental employees in the United States. This is only slightly under the peak wartime 6,038,000 reached in the V-J month of August 1945, and is still vastly more than the 3,987,000 deemed necessary in pre-war 1939. This huge increase in public employment over pre-war is very largely in federal payrolls.

Unless there is a much more drastic reduction in this field, taxes would have to be reduced much less than would be possible if we eliminated some of the waste and duplication in government spending.

Although the national debt should be reduced, it will unfortunately be necessary to make smaller reductions than would be the case if we did not have to assist Europe under the Marshall self-help plan; and the reduction of the debt will be very small unless we begin in earnest the elimination of waste in government and governmental employment. Yet to counteract inflation we should by all means reduce our national debt out of surplus by at least 2 or 3 billion dollars.

We could, of course, indulge in further deficit financing. But that is the very thing which most directly adds fuel to the fires of the growing inflation. The only way in which the financing can be done in a non-inflationary way is through taxes or the flotation of a loan sold not to the banks but entirely to investors and the men on the street who buy solely with their savings. There is, however, never any guarantee that savings alone will be used, as bonds can only too readily be used as collateral for bank loans.

There is another factor which is not strictly monetary but which has a bearing on this subject. In order to supply a large share of the physical goods to meet the needs of Europe, the United States may well have to consider if rationing will be necessary to meet part of these requirements. Here again the American people, through Congress, will have to decide that question.

In my opinion any general return to governmental rationing is unnecessary and undesirable. The main reason why our industry is operating at around 90 per cent above pre-war and our agriculture at over a third above pre-war is that we have freed them from controls. Voluntary rationing is an excellent way for the public to help, but in itself may not be enough to obtain sufficient food for Europe. Rising prices are in themselves a form of rationing which naturally comes about when the government enters the market in competition with the American consumer for the purchase of food and supplies. It must be done but it can be done much more efficiently than hitherto. In other words, the government should enter the market in such a fashion and at such times as to disturb least the stability of domestic prices.

Whatever aid Congress decides upon for Europe will involve vast amounts of food, supplies and loans involving several billion dollars per year, but I hope on a declining basis. To administer such a huge undertaking will require the ablest men available in our country.

Several proposals have been made calling for various types of organization to handle foreign aid. Winthrop W. Aldrich has suggested the formation of a special corporation to do this. In my opinion a truly nonpartisan board like the War Industries Board in World War I would be better. I personally

think the executive branch in the past twenty years has made too frequent use of the corporate form of organization as a means of escaping the control of Congress.

In this matter of aid to Europe I think specific directives and definite control from Congress are imperative if we are to have the solid backing of our people to a long-range foreign policy. If our self-help program is to be efficiently administered, it is absolutely necessary that some sort of "Peace Reconstruction Board" be in operation right here in our country to function as the principal source of aid under the Marshall self-help plan.

I do not think that this proposed board will be sufficient. We must also consider the European side. We must bear in mind that if the Marshall Plan is to be successful it must be politically popular with each participating country. Each country must have a definite part in the structure of the Marshall Plan. This should help to eliminate any suspicion that the United States is attempting to infringe upon the sovereignty of any other nation.

To accomplish this I suggest a civilian economic organization composed of the representatives of the sixteen nations receiving aid under the Marshall Plan and a representative of the United States.

Each of the participating nations would be required to list specifically what it undertakes to do to help itself and to help its neighbors. Each nation would submit a list of the specific items and the quantities required, such as so much cotton duck for conveyer belts, steel ingots for mine equipment, feed, and so forth. Each nation would be given assistance as an incentive to produce. If this assistance is not used as an incentive, then it would be stopped.

In effect, then, the broad Marshall Plan for all of western Europe would consist of sixteen separate chapters, one for each participating country. And each chapter would spell out what that country has to offer, what it proposes to do, and what it needs from us in the way of food, supplies and loans to get its own industry and agriculture into active production.

Our special "Peace Reconstruction Board" for handling European aid would then be able to deal effectively with this organization of the sixteen participating European countries.

For example, on just one item, our board would not authorize funds to be spent for purchase of supplies in our markets unless such purchasing was done in a coördinated way so as to create an absolute minimum of inflation in our domestic price structure.

We must not lose sight, however, of the fact that there can be no recovery of western Europe without recovery in Germany. This fact has been stressed repeatedly, and we must continue to stress it until every American fully realizes it. Only the other day former Secretary of State Byrnes said: "It has been two and one-half years since Germany capitulated. It is essential for the recovery of Germany and for the recovery of Europe that the German people know their fate and be allowed to start work rebuilding their country instead of relying upon relief from the United States."

In my report to General Clay last summer I submitted a program designed to take Germany off the backs of the American taxpayers. Time does not permit a full discussion of this program but I would like to mention the highlights of it.

This program calls for a new policy to integrate and unify the military, political and economic setup of the three western zones of Germany. It calls for action in the psychological sphere by giving new hope to Germany. It calls for the use of American food and supplies as active incentives to increase the production of coal in both Great Britain and Germany in order to break the vicious cycle of shortages that has both nations in its grip.

While we are doing all these things to get Germany back on her feet, we must not lose sight of one primary objective. We must prevent Germany from ever again becoming an aggressive military Power. The peace of the world transcends all other things. There are few of us indeed who would care to get Germany on her feet, no matter how great the material benefits to the world, if thereby German militarism were to rise again and drown the world in blood for the third time.

Today, German militarism is dead. With the proper precautions it can be kept dead. It is time we quit fighting ghosts and got on with the real business of getting Germany back on her feet and eventually off the backs of the American taxpayers.

Had it not been for the fallacious policy of Mr. Morgenthau who wanted to make an agricultural country out of Europe's greatest industrial nation, Germany would today be far less of a stumbling block to the recovery of western Europe. Mr. Morgenthau persuaded President Roosevelt to accept a policy which, among other things, helped partition Germany into four zones. The destruction of her political and economic unity is today reflected in a shattered economy unable to rise to its feet without help.

In the three western zones of Germany there are 48,000,000 people. Deprived of eastern Germany's breadbasket, these zones can provide only about half of their food requirements. The other half must be obtained by manufacturing and exporting goods in exchange for food. The vicious cycle that starts with lack of food in the Ruhr coal regions, and runs through steel shortage to shortages of almost everything else, must be broken if Germany is to stand on her own feet. The vicious cycle that prevents Germany from developing foreign trade because she has no foreign exchange to buy raw materials to make goods for export must also be broken. There must be a well-rounded program that will give new hope to the Germans and make it possible for them to rebuild their country and once more join the family of nations.

Certain definite and immediate measures will be necessary to bring this about. These can be considered emergency prescriptions and should be given Number One priority.

First, Germany's unity must be restored as much as possible. The three western zones should be integrated by setting up an organization similar to that of SHAEF through which General Eisenhower established unity of command in wartime. We should prevail upon General Eisenhower to set up this organization. A responsible German government for a united western Germany must be created, but the basic controls must remain in our hands.

Second, Germany must be policed militarily for fifty years, first through an Allied organization and later through the United Nations. This would satisfy that portion of public opinion, here and abroad, which still fears that German military power can be restored. An integrated Allied military supervisory and control organization should be established to make it impossible for Germany to stockpile materials for war use

or initiate any other step that might lead to the restoration of militarism.

Third, the vicious cycle of shortages in Germany should be broken, beginning with the Ruhr and the German transport system. To get accelerating production under way without delay, these economic sectors should be supported with sufficient food and emergency supplies. Food from America should be used as an instrument to increase output. It should not be disbursed as relief. For instance, offer the 170,000 underground Ruhr miners a 75 per cent increase in rations for themselves and their families in exchange for a 50 per cent increase in coal production.

Fourth, the Ruhr should be relieved, as much as practicable, from the need to export coal so that this coal can be used to get the German factories and transport system going. This can be accomplished by increasing coal exports from Great Britain to the European continent. Here, too, food and consumer goods imported from America at our taxpayers' expense should be directly tied to increase in output. British coal miners should be offered coupons for American food and consumer goods for additional hours of work directly translated into increased production of coal.

Fifth, all political restrictions on output in Germany, resulting from the Morgenthau policy, should be abolished. An immediate halt should be declared on all capital reparations and the dismantling and removal of all plant and equipment except what was designed to be used solely for war. With the exception of the top 80,000 Nazis there should be an end to the denazification program so that great numbers of skilled Germans can go back to work in jobs they are best fitted for instead of doing manual labor. At present a great part of the productive brains of Germany is in enforced idleness because these people were nominal members of the Nazi party and had little choice when Hitler was in power but to do his bidding. These three measures to end the ploughing under of production, plant and brains in Germany will remove the political brakes which the Morgenthau policy has imposed on the German production machine.

Sixth, the incentive to work should be restored in Germany through strong, sound money. The Germans are not willing to work for currency that will buy little or nothing. To

establish a sound currency will require initial imports of sufficient food to make the Germans work vigorously, instead of just enough to keep them alive. It will also require the production of essential consumer goods, a very sharp and ruthless reduction of the outstanding supply of marks, a balanced budget, a central bank and initial credits.

Seventh, the incentive to enterprise should be restored in Germany by removing all restrictions, wherever practicable, on the unimpeded flow of men, money and materials in commerce and industry. The elaborate and cumbersome bureaucratic system of rationing, allocations, priorities, licenses and the incredible volume of red tape that goes with it should be drastically deflated to the greatest extent possible commensurate with the fact that the Germany economy is one of intense shortages. German entrepreneurs should be given guarantees against excessive nationalization and socialization as well as against capital reparations and extreme denazification.

Eighth, the incentive to export should be restored in Germany by letting German exporters keep most of the foreign exchange their products bring. German exporters should be given ample freedom to set their own prices, make their own arrangements with foreign buyers, get their own raw materials from abroad, send out their salesmen and make financial and credit arrangements abroad. German exporters should be loaned initial foreign-exchange credits to start exports going.

Ninth, the will to live should be restored in Germany by holding out to the German people the hope of a better future in return for hard work. Germany should be included in the Marshall Plan and her best brains invited into our councils.

Tenth, whether in Germany, England or anywhere else our aid should be used as an inducement to produce. With the American taxpayers' money we should subsidize nothing but hard work. We should use American food, supplies and equipment paid for by the American taxpayers as an implement to get Europeans to work harder and longer. Why should our farmers work 70 hours a week in order that British miners may work 35 hours a week?

Communist Russia, of course, hopes that America will do nothing to forestall the threatened collapse of western Europe, that England will not dig coal, and that France and other

countries of western Europe will not be able to agree among themselves upon a plan of reconstruction.

That is the party line. Communism thrives on chaos, despair and depressions. Communist Russia is not content to keep her "iron curtain" at the edge of eastern Europe. Her dynamic policy of world conquest demands that she continue to spread. A poverty-stricken, despondent western Europe will invite her expansion; but a productive western Europe will serve as a bulwark against her dictatorial ambitions.

It is my best judgment that Russia will not go to war at this time. Her policy is one of watchful waiting, ever ready to spring in and take advantage of the chaos and despair that would follow an economic collapse. If we fail to take appropriate action we will be playing into Russia's hands. If western Europe fails to recover, her economic collapse will result in a severe depression that would spread throughout the British Empire and the United States.

It is to our advantage, therefore, to take the necessary precautions to prevent such a catastrophe. It can be prevented through constructive help. Through incentives to production with adequate safeguards we can make sure that we are not engaging in another "Operation Rathole" but are simply providing the means of helping western Europe to help herself. The cost of such prevention would be immeasurably less than the cost of a depression that conceivably could wreck our economy. And it would certainly be immeasurably less than the cost of dislodging communist Russia from western Europe and the British Isles at a later date.

It seems to me, there are only three courses that the United States of America can pursue.

First, we can withdraw entirely from the world scene and let the Communist elements sweep over the rest of the world while we depend upon our strength to protect our own continent from ultimate invasion and build an enormous and uneconomic internal public works program to offset the loss of our export trade.

Second, we can undertake to back the Marshall Plan and our foreign policy with as vigorous an organization as we used to win World War II. We can build an integrated organization for coöperation with our allies just as we built an integrated organization with Great Britain and France for the invasion

of western Europe. We can be determined to live and let live and back our policy with force if necessary. At the same time we can be very practical and realistic, making sure that our objective is not dissipated by people with social-service-worker minds who believe that merely spending money accomplishes the kind of objectives that are necessary in this type of economic war.

Third, we can go to war with Russia either now or later, determined to liquidate the power of its leaders and stop the western spread of communism.

Isolationism is undoubtedly unacceptable to the American people at this time in their history when they stand in a position of leadership of the entire world.

War with Russia would cost infinitely more than would the firm backing of the Marshall Plan and our foreign policy. In spite of all its obstacles and difficulties, I recommended the middle course in my confidential report to General Clay on July 19. A middle course, based on a plan to help western Europe help herself, is constructive in its very nature and consistent with our principles.

By adopting this middle course I believe that we can prevent World War III.

REMARKS BY THE CHAIRMAN

CHAIRMAN MORGAN: Well, you see, ladies and gentlemen, what a fresh breeze — no, perhaps a gale — blew through the stuffy atmosphere of Europe and especially Germany last summer. We are very grateful to Mr. Brown for having been the gale and wish him all success in the breezes that he stimulates through the United States at this time.

The last speaker this afternoon is Loy W. Henderson, who at present is Director for Near Eastern and African Affairs, Department of State. He has had a long experience in Europe. He has been Counselor of Embassy in Moscow, after having served there some years before as Second Secretary. He has had other posts in Europe that amply fit him for the discussion of his topic this afternoon.

AMERICAN POLITICAL AND STRATEGIC INTERESTS IN THE MIDDLE EAST AND SOUTHEASTERN EUROPE

LOY W. HENDERSON

Director for Near Eastern and African Affairs, Department of State

I HAVE been asked to discuss with you American political and strategic interests in the Middle East and southeastern Europe. What these interests are can be determined only in the light of the general foreign policy of the United States.

The primary objective of our foreign policy is the maintenance of world peace on the basis of the principles incorporated in the Charter of the United Nations. Our foreign policies have additional aims, such as the promotion of the prosperity and well-being of the peoples of the United States and of other nations, but all our foreign policy aims are subordinated to, or supplementary to, the primary objective which I have just stated. If this objective is to be attained, the government of the United States must take an active interest in any area in which there are situations menacing world peace. Such situations exist at the present time in the Middle East and southeastern Europe.

It is in keeping with our primary foreign policy objective that in this area we should be pursuing a policy of endeavoring to prevent these situations from developing into great armed conflicts. Our political and strategic interests in the Middle East and southeastern Europe are derived from this policy. They are essentially of a peaceful character.

It must be recalled that the Middle East and southeastern Europe are of tremendous strategic value. They form great common highways between the East and the West. They possess rich agricultural resources and extensive mineral wealth.

So great is the strategic value of the Adriatic and Aegean Seas that during the last twenty-five hundred years many wars have been fought for the control of them. During the last three hundred years similar rivalry with respect to the Straits connect-

ing the Black and Mediterranean Seas has contributed to a whole series of armed conflicts. Various great Powers for the last half-century have been looking with envious eyes upon the Suez Canal, that strategic link between the seas of the East and West.

The construction of highways, railways and airfields during recent years has stimulated the economic development and at the same time enhanced the strategic value of the Middle East. For example, the new railway and the highways connecting the Caspian Sea with the Persian Gulf did not merely strengthen the economy of Iran; they also proved to be extremely useful in facilitating the shipment of American Lend-Lease goods to the Soviet Union during World War II. Similarly, the railroads and highways of Egypt, Iraq and the Levant were of aid to the Allies. During the war period the skies of the Middle East were also used as traffic lines through which moved in a variety of directions great quantities of Allied supplies and personnel. Some of the airfields constructed in the Middle East for war purposes have been converted to peacetime use and are now serving commercial air lines connecting the East and West and the North and South.

The agricultural wealth and potentialities of the Middle East are impressive. The richness of the valley of the Nile is well known. Development of the valleys of the Tigris and Euphrates, now understood to be under consideration, could make Iraq one of the great food-exporting countries. Economic developments in Afghanistan, Iran, Syria, Palestine, Egypt, the Sudan, and other countries could multiply the agricultural production of the area.

The mineral resources, although thus far only superficially explored and comparatively little developed, are enormous. Oil experts tell us that, of the approximately sixty-six billion barrels of known petroleum reserves of the world, at least thirty billion barrels are to be found in the Persian Gulf area, that is, in Iran or within ninety minutes' flying time from that country. The petroleum reserves of the Middle East are of good quality and are easily accessible. Middle Eastern oil represents the lifeblood of the industry and transport not only of southern Asia and of Africa but also of the Europe of the future. An unfriendly great Power in possession of these reserves, therefore, would be in a position to hamper, if not to prevent, the rehabilitation of

western Europe and to retard the economic development of Africa and southern Asia.

We are beginning to have a more mature approach to the problem of oil. We are realizing that oil is not merely so much black gold and that a display of interest in the disposition or control of petroleum is not necessarily a manifestation of sinister imperialism. We are learning that at this stage of industrial development oil, like food, is essential to the operation of our very economic life and to the maintenance of what we consider as civilization.

In view of their economic and strategic importance, the Middle East and southeast Europe are prizes most tempting to an aggressive and ambitious great Power. Such a Power might well be able, if once in possession of the strategic facilities and economic resources of this area, to decide the destinies of at least three continents and to cast a dark shadow over the whole world for many years to come.

A number of factors contribute at the present time to the vulnerability of the Middle East and southeast Europe to direct or indirect aggression from without.

One of these factors is the shift now taking place in power relationships. Prior to the outbreak of World War II, various great Powers of western Europe bore the burden as colonial rulers, protectors, mandatories, or allies for the maintenance of order in the Middle East and for defending this area from aggression from without.

Immediately preceding and during the war years there has been a steady weakening of the bonds between these Powers and the people of the Middle East. Colonies are moving toward self-government; protectorates are becoming gradually less dependent; mandated areas are being granted their independence; treaties of defensive alliance are tending to lose their former effectiveness. Furthermore, the great Powers of western Europe have not as yet been able fully to recover politically and economically from the blows which they suffered during the war. These Powers without aid from beyond the borders of Europe might not be able to save the Middle East if that area should be the object of aggression on the part of some neighboring great Power.

Another factor contributing to this vulnerability is the presence in certain countries of the Middle East of an increasing number of dissatisfied citizens, the discontent of whom could be exploited by an aggressor intent on weakening the ability of the Middle East to defend itself. The majority of the population in some of the Middle East countries has not been able to reach the political, economic and technical levels which have been attained by the peoples of the Western World. There are historical reasons for this lag which it is not necessary here to enlarge upon. The peoples of the Middle East do, however, have outstanding natural abilities and talents. They are heirs of rich civilizations. If given an opportunity, they are capable of achieving economic and cultural standards for themselves comparable to those of the peoples of the Western World and of playing a constructive rôle in world affairs worthy of their heritage.

The peoples of the Middle East are beginning to insist that they be given this opportunity. They are also demanding the right to a wider participation in their own governments. They are anxious to have foreign technical advice and assistance. They wish to benefit from the experiences of other countries which are technically further advanced in order that they may build an enlightened society and a progressive civilization on the foundation of their own culture and traditions. Many of them find their progress too slow. They are becoming impatient and restive. Until peoples of the Middle East feel that they are making real political, economic and cultural progress, existing discontents will continue to weaken the stability and undermine the security of the area.

Another factor which tends to increase the vulnerability of the Middle East and southeastern Europe is that of economic dislocation.

The economic structure of the whole area is still suffering from the strains and distortions brought about by the war and events subsequent to the war. Established trade channels have been interrupted or destroyed and new channels, some temporary and others more permanent, have been opened; price levels have been artificially established; shortages in raw materials as well as in various capital and consumption goods have brought privations and suffering to certain groups and localities and a degree of

unprecedented prosperity to others. In some countries the rich have become richer while the conditions of the poor have not improved. In other countries economic leveling processes are discernible. In most countries the various shifts and dislocations lead to uncertainties and to dissatisfactions which might well weaken ability to resist aggression.

In Greece economic dislocation has been aggravated by the ravages of the war years and by the disappearance of the markets of most of the European continent. In several countries the economic strain has been intensified by the necessity of maintaining considerable armies in a state of preparedness in the face of external threats and pressures.

Still another factor which contributes to the vulnerability of the Middle East and of southeastern Europe is the increased interest and activity of international communism in the area. The strategy of international communism is so well known that it is unnecessary for me to do more here than outline the pattern which has become far too familiar. Taking advantage of confusion and disorder consequent to war, a well-organized and highly disciplined Communist minority seizes power and sets up a government which it manipulates without regard to the will of the people. Using the territory thus seized as a base of operations, the Communists conspire and intrigue to extend their power to additional countries. They promote violence, disorder and misery until a situation is created favorable to their seizure of power.

Communist domination of additional territories is not usually achieved by direct armed attack from abroad. These conquests are usually carried out by groups of local Communists, or by foreign agents masquerading as local Communists, supported by Communist sympathizers at a time when the threat of the armed forces of international communism on the spot or held in readiness merely intimidates many who would otherwise resist. Communist rule over territories thus acquired is maintained by dictatorship and police terror. It is becoming increasingly clear that international communism has the aim of bringing about situations in the countries of the Middle East and in Greece likely to lead to a weakening of the ability of these countries to resist Communist pressure and penetration from without.

In pursuing its aim in these countries, international communism endeavors to create or prolong chaos and disorder; to frighten by press and radio campaigns, by diplomatic warnings and threats, and by ostentatious displays of armed might; to exploit such discontents as already exist; and to stir up additional economic, national and religious strife. International communism takes advantage of every opportunity to promote mutual distrust among the nations of the area and to weaken such ties as exist between them and democratic peoples in other parts of the world.

Unfortunately these efforts on the part of international communism are sometimes aided and abetted by misguided idealists who do not understand the real purposes of the Communists, or by individuals, groups, or even governments who in order to obtain Communist support for some particular objective are willing to ally themselves at least temporarily with the international Communist movement.

The independence of a number of European countries has already been extinguished. That of the others is rapidly disappearing. These Communist successes have been achieved in spite of the fact that in every one of these unhappy countries most of the people are highly individualistic, prize independence, and oppose communism.

We must not permit ourselves, however, to become too pessimistic. We must remember that there are also many factors which give a basis for hope that the security of the Middle East and that part of southeastern Europe which still retains its independence will be maintained.

The growing national consciousness among many of the peoples of this area is a hopeful sign because it is accompanied by an increased determination to maintain their independence and to retain the right to govern themselves in their own way. This consciousness and determination are likely to enable these peoples to stand firm against any direct or indirect aggression which threatens to deprive them of their national existence.

Then, too, there is a growing awareness in the Middle East, southeastern Europe, and throughout other areas of the world of the true nature of communism. The increased knowledge of both Communist aims and tactics is making it progressively

more difficult for international communism covertly to penetrate new territories.

The existence of the United Nations is another bulwark for the protection of the Middle East and Greece against aggression. One of the purposes of the United Nations is—in the words of its Charter—"To maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace. . . ."

Although the effectiveness of some of the organs of the United Nations has been reduced by the use of the veto, the boycott and other obstructive tactics, the moral force of the United Nations is still so great that no member has yet been willing openly to flout it. An examination of the proceedings of the Security Council during 1946 makes clear the importance of the rôle of the United Nations in preserving the independence and territorial integrity of Iran. Similarly were it not for the continued and active interest displayed by both the Security Council and the General Assembly in the Greek case, it is quite possible that Greece would by now have fallen victim to aggression.

Although the United Nations has demonstrated its value as an instrument of collective security, it must be recalled that it is only an instrument, and that its effectiveness can be no greater than the determination of its members to maintain the principles incorporated in its Charter.

The United States and most other members of the United Nations are clearly determined to maintain the principles of the Charter in the Middle East and in southeastern Europe. Their determination, which is reflected in recent proceedings of the organs of the United Nations, is another factor discouraging to aggression in this area. The determination of the United States in this respect is derived not only from its obligation to support the Charter but also from a number of other considerations, including concern for the welfare of the peoples of this area. We feel a genuine friendliness for these peoples, and we sympathize with their political, economic and cultural aspirations. We believe that it would be particularly tragic for them to lose their independence just at a time when they are on the threshold of

an era of freedom which offers so many opportunities for advancement.

There are also considerations affecting our own welfare and that of peoples outside the Middle East and southeastern Europe, for it is clearly in the interests of our own national security and in those of world peace that there should be no aggression in that area.

Our determination has been demonstrated by the attitude which we have assumed since the end of the war with regard to various specific problems of the Middle East and southeastern Europe. For example, we attempted through friendly diplomatic approach in 1945 to persuade the Soviet Union to withdraw Red Army troops from Iran. Our effort through diplomatic channels was not successful. When the Iranian case was brought before the Security Council in 1946, we played a leading rôle in endeavoring to bring about a settlement which would result in the preservation of Iranian independence and integrity. We have insisted that the case remain on the agenda of the Security Council until it is clear that the security of Iran is not in danger.

The United States adopted a similar position when the Soviet Union launched a diplomatic, press and radio campaign shortly after the end of the war to force Turkey to cede certain Turkish provinces and strategic facilities in the Straits. We have indicated that although we would look with favor upon certain modifications in the Montreux Convention because of changed world conditions, we could not and would not support or approve any proposals endangering Turkish independence or sovereignty.

Our efforts in both the Security Council and the General Assembly to obtain effective United Nations action to protect Greece against aggression are well known. The Greek case was transferred to the General Assembly when the Soviet veto blocked efforts of the members of the Security Council to end the interference of Greece's northern neighbors in her internal affairs. This very afternoon a United Nations Commission is departing for Greece. This Commission will keep the General Assembly informed regarding current developments along Greece's northern frontiers and will endeavor in the interest of

Balkan and world peace to bring an end to acts of aggression in that region.

The expression of our determination to aid the countries of the Middle East and Greece in maintaining their political independence and national integrity is by no means confined to diplomatic approaches or to activities in the United Nations.

We are convinced that much of the discontent of various peoples of this area with their political, economic and cultural conditions is justified and that we would not be living up to our new world responsibilities if we should fail to do our share in eliminating the grounds for such discontent. We furthermore realize how important it is that the United States assist in relieving the strains and dislocations from which the economic structure of most of the countries of this area are still suffering. We are, therefore, taking all possible and proper measures to promote directly and indirectly the political, economic and cultural advancement of the peoples of this area. Within the limitations of our resources and our commitments in other areas which are also urgently in need of our help we are endeavoring to assist the various countries of the Middle East and Greece to meet their individual needs. Such assistance may be implemented by sending special missions, by providing technical experts or advisers to the interested government or, in some instances, by facilitating the extension of credits to rehabilitate or modernize the country's economy. Our present programs of aid to Greece and Turkey elaborated with the approval and assistance of Congress are only the most dramatic illustrations of our determination to preserve freedom and independence in one of the vital areas of the world.

Through the public discussions of these programs, the American people have gained a clearer understanding of the importance of this area to the United States.

It is in the interest of world peace that there be universal appreciation of the extent of the determination of the United States and like-minded members of the United Nations to maintain the security of the Middle East and Greece and to assist the countries of that area in preserving their political independence and territorial integrity.

DISCUSSION: EUROPE AND THE MIDDLE EAST

CHAIRMAN MORGAN: The Academy usually allots some time at the end of these illuminating discussions for a short question-and-answer period. I see that we have already passed our usual time of adjournment, but I think that we can safely allot as much as fifteen minutes, if you choose, for questions from the floor. I urge you to be very brief with them so as to give other people a chance.

MR. BIEGEL: A question for Mr. Brown. If the European countries persist in widespread governmental controls, will American business in the future regard such countries as offering a proper incentive for direct foreign investment?

MR. BROWN: I think the answer to that question is, obviously, no. We would not be interested. The question is one of timing. For instance, this summer in England I talked to some of the people in allied lines of business about starting a new factory to make fireproof partitions for shipbuilding in England. The business men in Great Britain themselves would not invest capital in anything today. They say this nationalization program makes it impossible to gauge the future or the risk; and all business is paralyzed. Obviously I would not want to invest in Great Britain today, if English business men are afraid of the risks.

On the other hand, if our government loans money today to help Europe get on its feet, for example, to help Great Britain, and, as a result of the conditions that we tie to that help, Great Britain postpones nationalization for several years and, if in that period the Labor government falls and conditions improve and some of these controls are discontinued, I can well conceive that five years from now I might be willing to buy some pound deposits in the Bank of London with which to buy some stocks in an asbestos company in Great Britain.

MR. SAULMAN (Hewlett, New York): Could we be partially repaid for relief in Europe in terms of imports into this country, if foreign governments eliminated currency controls so that their currencies could find a free and open market and thus seek their natural level?

MR. BROWN: I think the more we eliminate artificial controls, that are so abundantly apparent in Germany and in other countries, and develop a freer trade, the better; for out of a freer trade you get more foreign trade than takes place under restrictions. Out of that would inevitably develop some of the dollar exchange that would help them repay their debts. It would be one of the measures toward which we ought to move, if we are going to be repaid.

MR. BERNARD BROWN (New York): I would like to have my question answered first by Professor Fox and then, if possible, by Mr. Brown. If we are really concerned about preventing World War III, should we be interested in reaching a basic agreement between Russia and the United States, or should we be interested in organizing potential allies for an inevitable conflict between Russia and the United States? In other words, should superpower amity and agreement have priority?

DR. FOX: I am inclined to take the position that was taken in Mr. Mason's paper and say that our problem is to create conditions under which the superpowers will want to find some basis for amity. I stand firmly on the ground that an in-between world, which is independent and genuinely strong and is in a position to throw its weight against whichever side tries to attack its independence, is one which is most likely to be helpful in providing the basis for Soviet-American amity and friendship.

MR. BROWN: I would agree with Dr. Fox on his statement. For instance, in talking to General Clay in Berlin about the matter, I found that we were completely in agreement that we ought to maintain general headquarters in Berlin and stay there until we were driven out by force, that we should maintain a point at which we could have constant discussions with the Russians, hoping sometime that their viewpoint would change and we might agree. I would, on the other hand, leave no stone unturned to present force or balance of power or reconstruction in western Europe or anything else that would help the Russians change their minds.

MR. N. M. IYOYA (Brooklyn, New York): In view of the present configuration of power, what is the extent of political control the United States wishes to exercise over the Western European Rimland in terms of actual distribution of power vis-à-vis Russia?

DR. FOX: It is very confusing, of course, to use words like "control" when on the one hand it means extension of legal power and on the other hand it means extension of political influence. I take it that

there is nothing that the United States can do or should do to prevent the peoples of western Europe from looking toward it for help, in case they should be attacked at some later date, but it seems perfectly clear to me that the temper of the United States and the values which Americans profess, and which I am sure almost all of them believe in, are such that they have no interest in control over western Europe, as such. They do wish to make sure that western Europe does not fall behind somebody else's "iron curtain". They do wish western Europe to be strong enough so that it will not look like a tempting object of aggression. I do not think it adds a great deal to the discussion of current events to describe steps taken by the United States government to achieve that end as steps taken to expand the American empire.

MR. ALLEN MAYERSON (New York City): Mr. Brown, it seems to me that such a procedure as you envisage would leave Germany in approximately the same position as, or perhaps a slightly better one than, she held before the present war, particularly with regard to her neighbors, France and Italy. You would rebuild a capitalist industrial Germany as opposed to a weakened and probably socialist France and Italy. I just wonder in what way this procedure would differ from the kind of settlement that the defeated leaders of Nazi Germany would have wished for, short of achieving their objective of world domination.

MR. BROWN: I think that question can be answered in this way: No matter how well we succeed in getting industry on its feet, the 48 million people in western Germany will still be poor for fifty years; and they would not have been poor as compared to even socialist France or Italy if they had had a completely united Germany and had not suffered the destruction they have suffered.

If you get my report and read it, you will find I deal with it in more detail. I outline the basic desires of France, and one of those desires, and one that I think we should help her attain, is to make sure that her steel industry is permitted to increase. I argued with the foreign office in France, that they were wrong in saying we must hold Germany down. That was negative. I said, let Germany go ahead in her steel but at the same time increase the steel capacity in France. For example, the steel capacity in Germany at the peak of the war was twenty million tons; in France, it was six million tons. If we let Germany go ahead (she is now operating at three million tons of production), I believe it will take her two or three years to get to six million tons and ten years to get to twelve million tons, because of

what we did to the steel-building capacity. Now, if in those twelve years we assist France to increase her capacity from six to nine million or even to twelve million, the total capacity of Europe which is vital to world recovery would be as much as or greater than pre-war capacity, but it would be distributed in a somewhat different manner.

There is one other point I would like to make. You assume that socialist France and Italy will be weak as compared to a capitalist country. I agree with you. I think any country that has socialism or planned economy is going to be weaker and the people are going to have a lower standard of living and they are going to eat less than a country in which freedom from controls and the determinations of the market place give the incentive for production.

CHAIRMAN MORGAN: We are very grateful to our speakers, and I declare this meeting adjourned.

[Because of lack of space, this discussion is presented
in abbreviated form.]

PART III

AMERICA'S NEW FOREIGN POLICY

INTRODUCTION *

FRANK DIEHL FACKENTHAL, *Presiding*
Acting President of Columbia University

ON behalf of the Academy of Political Science I extend with real satisfaction and pleasure a cordial welcome to the distinguished speakers who honor us this evening.

Some fifteen or more years ago the president of a well-known university delivered an address under the title "Midgets in the Seats of the Mighty". The chair from which I rise is that of the distinguished Ambassador from the United States to the Court of St. James, the president of this Academy, who to his regret and to the great loss of this audience—though he is now in this country—is detained by official responsibilities. He sends a message: "Please express my regrets that events beyond my control prevent my attending meeting of Academy this evening. If my absence is my loss, it is on the other hand your gain, thus proving again that there is great merit in the profit and loss system." I am sure I have your authorization to request on behalf of this assembly that the Secretary of the Academy convey to Lewis Douglas our affectionate regards and our good wishes.

When I accepted the honor which I have tonight, I was given the privilege of speaking as long as I might choose on the topic of the day—"America's New Foreign Policy". This was a very dangerous freedom to extend to an amateur. But I shall content myself with quoting from James Monroe a statement

* Opening remarks at the Dinner Session of the Annual Meeting.

that seems to me to provide an essential background for all government policy, domestic or foreign, America's or another's, old or new. In a message under date of December 2, 1823, President Monroe addressed the Congress in part as follows:

The people being with us exclusively the sovereign, it is indispensable that full information be laid before them on all important subjects, to enable them to exercise that high power with complete effect. If kept in the dark, they must be incompetent to it The more full their information, the better they can judge of the wisdom of the policy pursued and of the conduct of each in regard to it. From their dispassionate judgment much aid may always be obtained, while their approbation will form the greatest incentive and most gratifying reward for virtuous actions, and the dread of their censure the best security against the abuse of their confidence.

But we are not, this evening, reduced to quotations, for we have as our speakers two seasoned diplomatic representatives of their respective countries who could throw much light on American foreign policy — one, so to speak, from the sending point of view, and the other, in a way, from the receiving point of view. That, however, might be asking too much simplification.

The first speaker will deal with "America's Challenge". This is not the first time he has done so, for he has had a number of challenging assignments. He has served in half a dozen or more of our embassies in Europe and Asia, has been twice Minister and three times Ambassador — to Chile, to the Argentine and to Madrid. From 1922 to 1924 he did a tour of duty in the Department itself, and has now come out of retirement to serve again in the Department of State.

I understand that he is a diplomat who has the happy faculty of maintaining a close relationship with newspaper men, realizing that whatever they know, report and interpret is an integral factor in relationships between the people of the country where he may be stationed, and public opinion in the United States.

I take great pleasure in introducing the Honorable Norman Armour, Assistant Secretary of State for Political Affairs. Mr. Armour! (Applause)

REMARKS

THE HONORABLE NORMAN ARMOUR: I am very grateful to Dr. Fackenthal for that most generous introduction. I am afraid I cannot live up to it, but it does remind me of an incident that occurred many years ago when I was down in St. Augustine in Florida. I remember I took a cab and drove around the old city. The cab was piloted by an old Southern darkey, and when, after two or three hours, we finished our tour, I asked him how much I owed him. He said, "Boss, that will be fifty cents."

I did not have any change and I proffered him a five dollar bill and asked him if he could change it. He looked at it solemnly, then looked up at me and said, "Good Lord, no, boss, but I certainly does appreciate the compliment." (Laughter)

I had the great privilege of being in Princeton last June at the bicentennial convocation when Dr. Fackenthal received his degree, *honoris causa*; and I remember that, among other things they said of him, in the well-merited tribute, was that he had devoted his life to the service of his Alma Mater and had contributed in his quiet and effective way very much to the cause of education not only at Columbia but in the United States generally. I am sure that among his many other qualities those two certainly have distinguished him.

May I also say what a pleasure it is to me to find myself here tonight in the company of my good friend, the British Ambassador. Lord Inverchapel has been in our country only a comparatively short time, a little over a year, but in that time he has already made a distinct place for himself not only in our estimation but in our affections as well. (Applause)

Finally, may I say one word to pay my own small tribute to your distinguished President who is unable to be with us tonight but who is so well represented by our chairman. All of us who have had the privilege of being associated with Mr. Douglas in any capacity admire his great talents and powers and we all feel that our country is indeed privileged to have the services of so distinguished and able a public servant. Those of us who read in one of the leading newspapers this morning that fine tribute paid to him I am sure agree with every word that was said.

AMERICA'S CHALLENGE

THE HONORABLE NORMAN ARMOUR

Assistant Secretary of State for Political Affairs

THE general topic for the discussions that have been taking place during the course of today under the auspices of the Academy of Political Science—"America's New Foreign Policy"—has raised the question in my mind whether we can properly say that we have a New Foreign Policy or whether it would not be more exact to describe what has been taking place during recent months or years as the adaptation of certain basic principles of our foreign policy to changing conditions in the world. For I think you will agree that the foreign policy of the United States cannot be codified or given formal legal expression in any single official document, but must remain flexible and capable of adjustment to the changing circumstances of the times.

Perhaps one of the most important factors in the formation of foreign policy, certainly in its execution, is the rôle of public opinion. As Secretary Marshall stated recently, "no policy, whether foreign or domestic, has the slightest chance of being effective unless it enjoys popular support." Certainly with the growing importance of our international relationship in the lives of our people, the impact of public opinion on policy determination in this field tends correspondingly to increase.

The current situation affords a good opportunity to study the development of our foreign policy—to watch it evolve and grow almost like a living thing, as it adapts itself to changing world conditions, yet retains its essential character. Viewed in this light, foreign policy can be recognized for what it actually is—not a nebulous and remote abstraction, but something vital and dynamic, partaking of some of the human warmth of the people who shape and influence it and whose interests it is intended to serve. For, in the final analysis, our foreign policy is nothing more nor less than the procedure through which the

American people get along with their neighbors in other countries throughout the world.

It is particularly important that we understand this concept at the present time, which is a period of intense and often confusing activity in international affairs. That is why it is so important that the American people understand not only the facts concerning international relations, but also, as Secretary Marshall has said, the truth about the facts. There is a compelling need for clarity in recognizing the facts and their relative importance, and for an inspired perception in ascertaining the truth about the facts. This requires, first of all, a knowledge of history—certainly more recent history—and next, some hard, straight thinking—something not always easy to achieve in the hurly-burly of modern life.

In order to see our present problems and policies in proper perspective, and correctly appraise our current position, it is necessary to retrace our course during the past few years. Only thirty months ago we were part of a great coalition that was successfully concluding the prodigious and costly task of beating back the attempt by the aggressor nations to enslave the world. The total resources of the Allied nations were dedicated to that cause, and complete unity of effort was required to achieve the common victory.

There is no disposition on our part to evaluate in narrow terms the respective contributions of the Allied peoples to the triumph we all shared. Certainly, where bravery and unstinting sacrifice are concerned, comparisons are odious. Common danger is a great equalizer, and each of the participants gave what it could, to the utmost of its ability. With full realization of the efforts and sacrifices of others, however, we in America can never forget how during that one long year 1940-1941 the forces of tyranny were thwarted by the intrepid resistance of Britain and the Commonwealth alone. Ultimate victory for the Allies was then assured only because the people of Britain lived daily with such unassuming heroism that valor touched them all.

Just as each nation made its contribution to the common effort according to its resources and abilities, so each has since responded in its own way to the hardships and difficulties that in many instances are hardly less onerous than the war itself.

Here we find the post-war rôle of the United States has been generally a natural and logical extension of its primary rôle in the war.

While the fighting was still raging in Europe and the Far East, but the Allies were obviously nearing final and decisive victory, the government of the United States was able to turn part of its attention to the consideration of the difficulties that would inevitably result once the hostilities were over. What was done in that respect largely was overlooked in the absorption of the people's interest in the battles then taking place, and has still not been fully recognized for what it was.

Actually, the planning done by this government, beginning in 1944, to cope with post-war problems constituted one of the broadest and most detailed undertakings of its kind ever attempted. Even a cursory listing of the major elements that emerged gives some measure of the scope and significance of our effort to prepare for the necessary adjustments of the post-war period. Obviously we do not deserve full credit for the maturity of these plans, in which other nations actively participated, but because Washington was distant from the fighting lines, it was natural that the consideration of long-range projects should be initiated there.

First of all, of course, was the United Nations, conceived as the foundation of the peaceful and stable structure we sought to erect. UNRRA was brought into being to alleviate the dire suffering resulting immediately from the war; the Food and Agricultural Organization, to plan for increased production and more equitable distribution of the world's food supply; the World Bank and the International Monetary Fund, to finance long-range reconstruction and development programs and to stabilize the currencies of the world; and the International Trade Organization, to minimize the artificial restraints on trade and to expand the flow of goods on an international scale.

After hostilities ceased and we began to translate our plans into action, we found the needs larger, and in some cases of a more difficult nature, than we had anticipated. We came to realize that planning, even of the widest scope, was dwarfed by the magnitude and complexity of the task that confronted us. Events proved that our original conceptions were sound and

possessed sufficient flexibility to permit the addition of other elements to strengthen the basic framework of our policies. To meet the requirements of new situations that arose, we supplemented our earlier planning with the loan to Britain, the Export-Import Bank loans, the channeling of surplus military stocks abroad into civilian uses, the aid program to Greece and Turkey, the \$350,000,000 program for post-UNRRA relief, and appropriations to maintain the populations of occupied areas above the "disease and unrest" subsistence level.

It should be emphasized that the foreign policy, given effect by these actions, took into consideration the post-war situation of the world as a whole, and that its objective was the establishment of conditions in which the whole world could move together from the dark shadow of war and its aftermath, into the light of a better day. There was nothing exclusive or restrictive in our program of action. It assumed that the United States and other nations able to produce more than their own absolute requirements would share their products with countries shattered by war; it assumed that these latter countries would exert their remaining energy to repair the damages of war as quickly as possible; and that all would cooperate in maximum utilization of the combined assets, of whatever nature, to achieve the over-all stability and productivity that are essential to the resumption of normal life.

Unfortunately, some of these assumptions failed to materialize. We were keenly disappointed at the early breakdown of the great-Power unanimity that had contributed so much to the winning of the war and the arbitrary division of the Continent of Europe in East and West that resulted. While other phases of the plan worked out as anticipated, the total effect fell short of the much greater requirements.

For example, with the aid of materials and funds from abroad, the British Isles and the Scandinavian countries in the first eighteen months after V-E Day raised their rate of industrial production above the pre-war level. France, Belgium and the Netherlands achieved a rate of 80 to 90 per cent of the 1938 standard, and Italy attained a rate of 70 per cent.

This performance cheered both the Europeans and their friends here, but the heartbreaking fact is that it was not enough.

The post-war needs of western Europe are so much greater now that they cannot be met by production equal to, or even slightly greater than, the rate that in 1938 provided western Europeans with the second highest standard of living in the world.

Moreover, the population of western Europe has increased by twenty-four million persons since 1939, even after taking account of wartime losses. This means there are more mouths to feed, more bodies to clothe, more families to house—and less to do it with. With these added strains on a depleted and disjointed economy, the wonder is, not that western Europe has not made greater strides toward recovery, but that she has held her own and even made measurable progress toward that goal.

The first burst of post-war activity in the industrialized areas of Europe consumed the materials at hand, plus supplies brought in from abroad, at a faster rate than they could be replenished by tired people operating in an impoverished economy. The sheer physical destruction of factories, railroads and homes and the demoralization of the working force in such key industrial centers as the Ruhr served to drag down the recovery effort of not only that locality but, to some extent, all of Europe. The violent wartime disruption of the intricate web of trade, both within and among the continental countries, produced an effect so disastrous that it could not be overcome in the space of a few months. The traditional relationship between certain countries and colonial areas likewise was disrupted, with a consequent shortage of raw materials and another handicap to production. Food, fuel and other basic materials from the United States and other western hemisphere sources provided the impetus for the first spurt of European industry, but these began to dwindle away as dollar grants and loans, the last remnants of gold and foreign exchange, and the income from vanishing foreign investments, all neared exhaustion at the same time. The crowning blow fell when nature seemed to conspire against man, and winter storms and summer drought cut western Europe's indigenous food production far below the minimum consumption levels of the population.

The growing realization that the considerable effort made toward European recovery by both this country and the countries immediately concerned had fallen short of accomplishing that

purpose on a sound, permanent basis led to a reëxamination of the whole problem as long ago as last winter. As a result, this government reached the conclusion that the situation in western Europe had entered a new phase—one that required a new approach.

It became apparent that any future aid to Europe by this country should conform to a broad concept that would take into account the requirements and potentials of that continent as a whole. It became apparent that if further aid was to succeed in restoring Europe to solvency and self-reliance, the nations of Europe would have to concert their efforts as a group in a comprehensive plan of action, and not act as an aggregation of individual states working perhaps at cross purposes. It was also apparent that they would have to assume a collective obligation to see that the plan was carried out efficiently on a coöperative basis.

These were the considerations that led Secretary Marshall to make his statement at Harvard last June 5. The activity on both sides of the Atlantic which was set in motion by his proposal and the rapid development of a program of joint action are so fresh in our minds that I will not review them in detail here.

In Europe the Marshall proposal was, in the words of Foreign Minister Bevin, "seized with both hands." The statesmen and leaders of the Western nations quickly realized the significance of the Secretary's suggestion and were convinced of the soundness of his approach. They proceeded to hold the Paris conference on economic coöperation and produced a report which, despite the speed with which it had to be assembled, constitutes an excellent outline of the problem and the proposed solution.

It will be recalled that Secretary Marshall urged the formulation of a program upon which "most, if not all", of the European nations could agree. However, the Soviet Union declined to participate and seven other countries of eastern Europe, under Communist domination or in fear of such domination, either spurned the invitation or did not feel free to accept. In other words, those in control in that area not only voluntarily excluded themselves from participation in the coöperative effort to achieve the economic recovery of all Europe but intimidated

other supposedly sovereign states so that they likewise refrained from participation. The world should understand exactly where the responsibility for that decision lies.

The sixteen nations that did participate in the Paris conference did a business-like job with no intervention from this side of the Atlantic and no pressure that could by any stretch of the imagination be construed as infringement upon the sovereign rights of any participating state.

The American people have now had five months in which to consider and debate one of the most momentous problems ever to confront them. Evidence has been added from time to time, as it became available, from the executive branch of our government, from the European statesmen and technicians who drafted the Paris Report, from members of Congress who visited Europe to study conditions on the spot, and from private citizens and organs of the press and radio representing all shades of opinion.

I think it has been established beyond question that western Europe urgently requires large-scale assistance if it is to go forward to lasting economic recovery and political stability, and that only the United States is in a position to provide help of the magnitude required. The crux of the question now before the American people for decision is whether they should assume that responsibility.

I believe that the American people have already made that decision. On humanitarian grounds alone, the suffering and privations being endured by their fellow human beings across the sea call for a generous sharing of the food and other necessities of life which we have. But our people sense that the issue is larger than that—that there is a broader, more fundamental reason why we must concern ourselves with the reestablishment of the European community as we knew it before the war, as we have known it, sometimes only half-consciously, for generations.

Perhaps without thinking it through or putting it in words, Americans realize that the traditional Europe we have known has been a sheet anchor of the kind of world we wanted. Europe, including the British Isles, is the source of our language, our institutions, our culture, even the origins of the industrialization we have perfected and on which we pride ourselves.

Aside from sentimental ties, our people appreciate the realistic, world-politic relationship between the New World and the Old. They know that the existence of a group of independent, democratic, vigorous and productive nations on the continent of Europe is the best guarantee, other than our own strength, of the security of the United States. They know the converse of this proposition: that if the nations of Europe should ever be subjugated and their immense resources harnessed to the evil purposes of a single master, the independence and integrity of our country sooner or later would be in jeopardy. We have this lesson so deeply graven in our national consciousness that twice in a quarter century we have fought on European soil to prevent single-Power domination of that continent.

I said a few moments ago that the design of our post-war planning was world-wide in scope. Why, then, this concentration on Europe? The answer is basically simple: until western Europe is restored to health and resumes its rightful place in world affairs, the peace, stability and prosperity we seek to promote elsewhere will be elusive. We are concentrating our attention and our efforts on the recuperation of Europe because a strong, free, dynamic and creative Europe is an indispensable prerequisite to the restoration of order and productivity everywhere. It is as simple and as fundamental as that.

Now the United States, physically unmarked by war, possessing as much productive capacity as all other nations combined, with a technology unequalled anywhere, a skilled and vigorous population, abundant resources and large reserves of wealth, must bear the brunt of the great effort required to pull the Western World from the ruins of war and set it on the high road to productivity and peace. Frankly, no other nation is equipped for the task.

Once the nations of western Europe regain their self-confidence and self-reliance, once they overcome the inertia brought on by the physical and psychological effects of the devastation and exhaustion of war, once they gain sufficient momentum to keep advancing under their own power—then Europe will become, not a recipient of our aid, but a potent and resourceful partner in the larger enterprise of building a better world.

For that reason, we consider our proposed part in the European recovery program not an obligation but an opportunity. We see it as a challenge of a kind unique in world history, and we believe that the nature of our response will, in large measure, establish our stature as a nation.

America grew great through the effort and vision of those who calculated the risks—and went forward. That spirit transformed a wilderness into a flourishing and united nation. That spirit, adapted to a new age and an unprecedented opportunity, can help lift a weary and despairing world from the ruins of war and set it well on the path to peace.

I feel that Secretary Marshall has summed up the situation in these words:

The automatic success of the program cannot be guaranteed. The imponderables are many. The risks are real. They are, however, risks which have been carefully calculated, and I believe the chances of success are good. There is convincing evidence that the peoples of western Europe want to preserve their free society and the heritage we share with them. To make that choice conclusive they need our assistance. It is in the American tradition to help. In helping them we will be helping ourselves—because in the larger sense our national interests coincide with those of a free and prosperous Europe. [Applause]

REMARKS

CHAIRMAN FACKENTHAL: Thank you, Mr. Armour. Our next speaker, too, has had long and wide experience in diplomacy — some forty odd years. His assignments, like Mr. Armour's, have often been to the difficult places. His breadth of experience is, however, not only in diplomacy. The files provide much of interest. Suffice it to say that the stories range from conflict with the law at home, to the exchange of smoking courtesies with the Head of State in Moscow; the latter, if not the former, indicates an engaging and disarming personality. In that personality are generous portions of those invaluable ingredients — keenness of insight, frankness and sense of humor. Who, better than our next speaker, with reference to foreign policy at least, could helpfully give us answer to that prayer which his fellow Scot taught us but which we sometimes forget to say — "O, wad some Pow'r the giftie gie us . . ."? Maybe he will, even though his topic is "Some Aspects of British Democracy Today".

[The audience arose and applauded.]

I have great pleasure in introducing His Excellency, the Right Honorable the Lord Inverchapel, British Ambassador to the United States. Your Excellency!

HIS EXCELLENCY, THE RIGHT HONORABLE THE LORD INVERCHAPEL: It is generally expected of an ambassador that he preserve in his daily life a calm and a balance, and, normally, when I go about the world, I am pretty good at preserving calm and balance, but tonight I confess I have been very disturbed — not, I beg you to believe, Mr. Chairman, by anything you have said nor by the admirable exposition the previous speaker, Mr. Armour, gave us of American foreign policy, but by a pair of remarkable blue eyes that have been just on my right front here. An ambassador's life is in general a serious business and he does not often have the luck to sit through an hour and a quarter of a good dinner and be able to gaze without interruption, without any kind of obstacle, at this remarkable pair of blue eyes. I should like to thank the owner of them. I dare not look in her direction because I have made a practice of observing the rule, never kiss and tell. (Laughter)

Mr. Chairman, I thank you very much for the handsome things you have said about me. I long since lost the power of blushing because something about the color of my face made it quite impossible. If I could have blushed, I should have blushed.

SOME ASPECTS OF BRITISH DEMOCRACY TODAY

THE RIGHT HONORABLE THE LORD INVERCHAPEL

British Ambassador to the United States

I OWE it to you to explain at the outset why I have chosen a subject for my address which would probably entitle you, Mr. Chairman, to rule me out of order. This is a risk that I feel bound to take.

I am sure that you will agree that it would be unbecoming in me to talk about American foreign policy because, while it is happily a policy which is agreed upon by the two major parties in the state, yet it is at the same time a matter of domestic decision which a man in my position must leave to be discussed among yourselves.

It had been in my mind to speak about British foreign policy, but here again I did not feel that it was politic at the present time to impinge upon the many problems which are facing my government and yours today, many of which are still in process of solution. But this much I should say: our policy is at one with yours in the determination to build up the United Nations Organization into an effective instrument of democracy to keep the world at peace; following from that, the resolve to come to the help of any democratic government whose institutions are threatened at this time of extreme economic distress.

Never before in my experience has the identity of interest between the United States government and the British government been more clearly understood and more clearly defined than it is today, and I do not think that it is necessary for me to elaborate on that subject.

What concerns me far more are the misgivings, many of which have been expressed to me personally by well-wishers of my country, as to the fate of British democracy. There are many serious-minded and thoughtful people in the United States who are genuinely disturbed lest even my country, which, after all, is the cradle of democracy as you and we know

it, may fall by the wayside on account of what are felt to be misguided remedies based upon time-worn party shibboleths and applied to the new, harsh and gnawing problems which now beset the British Isles and Empire.

I feel that if, tonight, I can make some small contribution toward allaying these fears, I shall have helped your deliberations more than if I were to range over the points of controversy which are being discussed with such vigor at Lake Success.

I feel pretty sure that no one here will take it amiss if I put things simply—even bluntly. I am a servant of the Crown, a civil servant. In my country civil servants are expected to hold themselves aloof from the rough and tumble of domestic politics. They owe their loyalties to whichever government be in power and it is their duty to give to each one of them, as they come and go, of the best that is in them. I have long been trained in this tradition, and this training enables me, I hope, to treat my subject tonight with all objectivity—my subject, which is British Democracy as it manifests itself today under a Labor government.

It has of course not escaped me that the attainment of office by the Labor party, which also calls itself the Socialist party, was regarded by many people here as a signal for a radical departure from what was held to be traditional political life in Britain. This impression, though mistaken, was perfectly understandable because the Labor party had never yet been in power with an absolute majority of its own.

This impression was fostered by memories of books, articles and speeches, in which some of the adherents of the Labor party, in the days of opposition, had advocated all sorts of startling changes which they hoped to bring about when they attained power. To many minds this was a disturbing thing. But I think that the most serious criticism, at home and more particularly in this country, was that the individual would be stifled under a great blanket of restrictions, controls and petty interferences, so that Britain would end by suffering the fate of that prehistoric animal, I do not remember its name, which, as the years went by, grew a thicker and thicker shell which in the end crushed the life from its body.

I should like for a minute or two to touch upon the origins of the Labor party.

The Labor party emerged as a significant force in British politics just over forty years ago, when the trades-union movement decided that its interests were not adequately represented in Parliament by the Liberal party. At that time there was growing up a movement of intellectuals who formed a group known as the Fabian Society. It was by no means the only intellectual society of the Left existing in those days, but I refer to it because it was the most important, and its leading spirit was Sidney Webb, Lord Passfield, who died last month.

The Fabian Society constituted itself the intellectual wing of the young Labor party. Through the immense industry of that gathering of very prominent men, Graham Wallas, Bernard Shaw and Sidney Olivier, to mention only three, its members began slowly to dominate the thinking of the Labor movement as a whole. The Fabian movement was essentially a British movement, drawing its inspiration from British political philosophy. Sidney Webb has often been likened to Bentham on account of both his method of work—to wit, pragmatism, I mean his rather matter-of-fact approach to things—and his complete selflessness.

The Fabians were radically opposed to the ideas of Karl Marx, who some years before had grubbed tirelessly in the musty arcana of the library of the British Museum in the compilation of his laborious theses. Here and there some members of the Labor party, it is true, have described themselves as "Marxists". Indeed any educated person who followed closely the political ideas of his time must have been bound to derive stimulation and even some wisdom from Marx's painfully detailed yet immensely penetrating and scientific diagnosis of contemporary society, even though he were unable to find any joy in its apocalyptic conclusions. But the British labor movement as a whole did not grow up in that tradition. It evolved a form of socialist thought of its own to which it has adhered ever since.

There can be few among us today who are so blind or so obtuse as not to recognize that the attainment of universal suffrage inevitably brought with it a demand by the people for a greater say in the direction of their institutions and their means of work, and a larger share in the product of their work.

The Fabian interpretation of this very natural desire was to review the processes of society in order to recast its institutions in such a mold that the emphasis would be shifted to service to the community rather than profit to the people who ran them.

Sidney Webb and his wife Beatrice expended immense labor in examining the poor law, the educational system and other social services. The recommendations which they made for the reform of these services made a greater contribution than those of anybody else toward our present structure. The Labor party under the inspiration of the Webbs fought for state or municipal control of basic industries such as the public utilities and the transport system.

Thus, you will see that the approach of the British labor movement to political problems has been a strictly evolutionary one. That has always been our way in Britain. The aim has not been to destroy what had been built up during the era of extreme individualism or to attempt to use force to mangle our old established society and to warp and twist it into anything like a working-class dictatorship. The aim was, rather, carefully to adapt it—to remold it into a shape which, they felt, would be fairer, tidier and juster. Today, as much as ever, there is a strong liberal strain running right through the British labor movement (I am not speaking of the Liberal party but of the great British liberal tradition) which acts with speed and vigor to restrain those who would threaten for a moment the liberties of the subject.

And now, in my objectivity, I am prepared to go farther than that, and to suggest that the Fabians, under the guidance of the Webbs, have had a great influence even upon those who were supposed to be their political opponents. Many of the measures of social reform which found their way to our statute book in the last forty years—I speak of the Education Acts and the various measures dealing with the reform of the local government—may truthfully be attributed in some measure to the work of this remarkable couple. I wonder how many people will remember how members of all political parties drew inspiration from evenings spent at the Webbs' house during the great Indian summer of the Liberal party under the leadership of Herbert Asquith.

The point, therefore, which I am bound to stress is that the growth of our Labor party has been in keeping with our traditions. It has always claimed to be a party of evolution, not revolution. Its method is empirical, not doctrinaire. It seeks to reform, not to overthrow, and it holds tenaciously to the liberties which the older parties have won over the centuries, and has in fact even widened them.

For instance, a remarkable piece of legislation was passed this July which greatly extends the rights of the individual against those of the state. Hitherto, in accordance with the maxim that the King can do no wrong, a private citizen had no right to sue the Crown, as he could another private person or group of persons. He could only petition the Crown. This meant that he could not bring suit against a government department and have it heard before a jury. By virtue of the Crown Proceedings Act 1947, it is now possible to do so. This shows no evidence of dictatorship.

But let me say something of our government's program in the light of what I have said earlier. The Labor party achieved power in 1945, having submitted to the electorate a program designed first to achieve as rapid and as fair a demobilization as possible, and to reconvert industry from wartime to peacetime production; secondly, to complete the measures of social reform which had been agreed upon and started by Mr. Churchill's government; thirdly, and most important, to take powers to control the nation's economy far enough to prevent the recurrence of the tragic and disastrous unemployment which we all experienced and deplored after the 1914-18 war. This meant control of credit through the nationalization of the Bank of England.

It required that new capital issues should be reviewed and passed by a National Investment Board. It meant the nationalization of certain key industries, namely, coal, inland transport and other public utilities. At the same time it was made amply clear that only twenty per cent of the economy was to be nationalized, and that every encouragement would be given to private industry outside the nationalized section.

Here I should like to recall that a wise and far-reaching policy of full employment was accepted and laid down by Mr. Churchill's government in 1944, and has even

been written into the charter of the International Trade Organization. If a policy of full employment is adopted, positive acts have to be done to implement it. This has been recognized by our Conservative party in the policy adopted at their Party Conference this year. It is about the means of achieving this end, not the end itself, that the two parties differ. They have no love for nationalization as such, but they know and they appreciate that democracy is a way of government, or a way of life that has constantly to grow, and its institutions call for frequent reshaping in the light of popular experience and demand. Otherwise the word would be meaningless. Democracy as an idea is a very old story. It began to be told some two thousand five hundred years ago under the shadow of the Acropolis; it is true in a form somewhat different from that in which we tell it today. After many a death and many a quickening, it tended to assume the form in which we understand it today; but it also tended here and there to become synonymous with what has been called *laissez faire*. At best, however, *laissez faire* has been no more than an important episode in its development on the economic side.

As I have said, full employment is one of the chief aims of both political parties in Britain. Unfortunately, the measures designed to achieve it have become confused and muddled up with controls imposed upon us by the crisis in our balance of payments.

Most of these controls have nothing to do with socialism, *laissez faire*, or even dictatorship, except that they are the unhappy result of our having spent our all in fighting dictatorship to a standstill. Exchange control, import controls, rations, less tobacco, fewer films, and so on, are all imposed upon us by external circumstances. We all hate them and shall throw our hats in the air when they pass, but we all understand that for a time at least we cannot escape them. I beg you therefore not to confuse the one thing with the other. If we lived in a country even half your size, if we had most of what we needed within our own borders and had not been temporarily crippled by our losses in the war, believe me we should not for an instant submit to these irksome measures.

I have not the time to go into details with you tonight; I merely wish to declare that those who fear for our democracy have simply been blind to or have ignored our whole political and social history. Any student of politics who has the time, and I hope he will, can trace our political theory back from the Webbs to John Stuart Mill and Bentham, and farther still to Locke.

There is no break in the continuity of growth. Controversy rages today, as it always has and as it should in a democracy. Long may it do so, for it shows that our democracy is alive, powerful and vigorous and combative. What more can a man want?

I now turn for a moment, still clinging, I think, to my objective, to the effect of the coming of the Labor government upon our neighbors in Europe. I wonder how many of you here perceived what I seemed to perceive from a far and chilly corner of that battered continent, where I happened to find myself, and where I had been for some three or four years. During those years I had watched how the eyes of all the more progressive democratic elements in Europe seemed to turn toward the East rather than the West, and with their eyes their confused and cloudy hopes for the future also.

I do not suggest that they saw in the East anything like the fulfilment of their dreams and their ideals. But in Europe there did not seem to be any other direction in which to look. Then suddenly in 1945 something happened which switched these eyes away from the East and toward the West, where, as it were, an alternative Left wing banner had unfurled itself and where events had put forth a new and more congenial patron for their inspiration and support. The wide road of tolerance, moderation, decency and stability seemed to lie open to all who cared to take it, and we have seen that they were many.

Today, immediately ahead of our country lies a time, many months and perhaps years, when our people, already tired, jaded and sickened by war, will be sorely tried and gnawed by privation.

Perhaps I cannot do better than to quote from a speech made by Sir Stafford Cripps in the House of Commons on October 23, which in this country did not get the publicity it deserved.

He said:

It is not merely our economic survival with which we are concerned; it is something even more. We are in every sense fighting the battle of democracy as much as we were during the war. Our struggle is to maintain the decent standards and the freedom that our ever-expanding democratic experience has taught us, in circumstances in which it is only too easy for more violent and totalitarian methods to prevail. If our economy and that of Europe should collapse, our democracy will in all probability collapse too, and will disappear, and with it will go the last stronghold of Western democratic civilization in Europe. The question that confronts us is whether we as individuals can discipline ourselves to the task that lies before us, or whether we are going to invite the harsh discipline of events to impose some tragic solution upon us.

It will be for us in Great Britain to give the answer, and to show that democracy is not just a rich man's blossom, which wilts, shrivels and falls apart when the chill wind of adversity plays upon it. It is not merely the expression of an ability to exploit resources—to make and sell material things. Sometimes these practical arrangements present grave difficulty through circumstances which are not the fault of anyone. Then must a people dip deeply into the well of its culture, its spirit and its tradition. From these a nation draws new vitality, new direction and fresh purpose to pursue its high destiny in the councils of the world. (Applause)

REMARKS BY THE CHAIRMAN

CHAIRMAN FACKENTHAL: Thank you, Lord Inverchapel. Our program has come to a close, but before we declare the meeting adjourned, I wish to thank, on behalf of the dinner audience and the Academy as an institution, Mr. Armour and Lord Inverchapel for so graciously and generously coming to New York to spend the evening with us and for their contribution to our better understanding of many matters that are much in our minds at the present time. We are very pleasantly in their debt.

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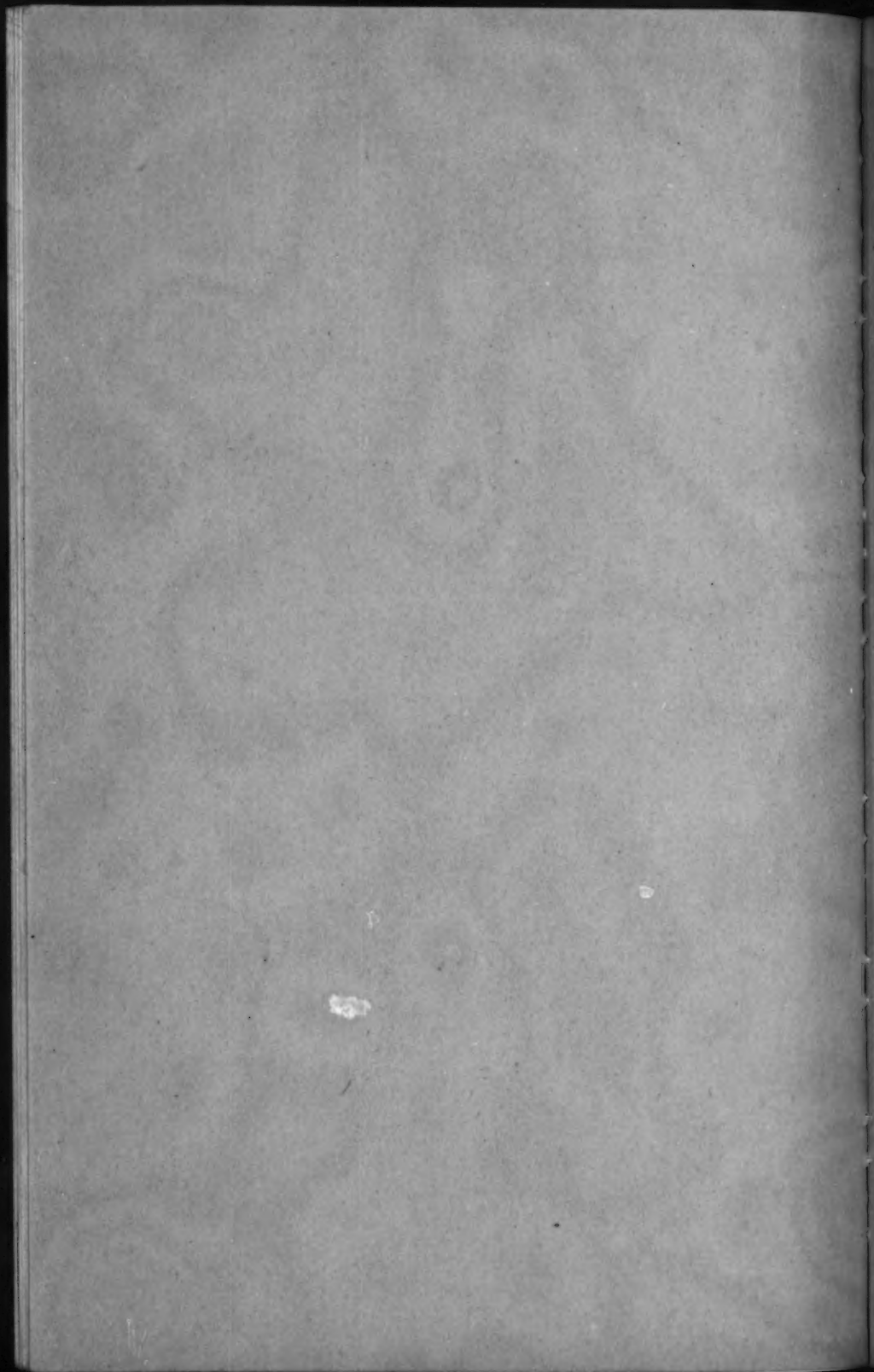
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